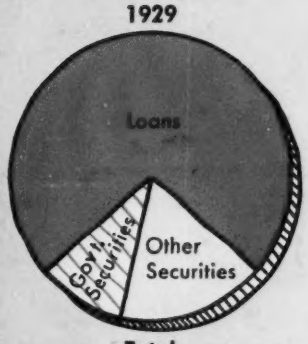
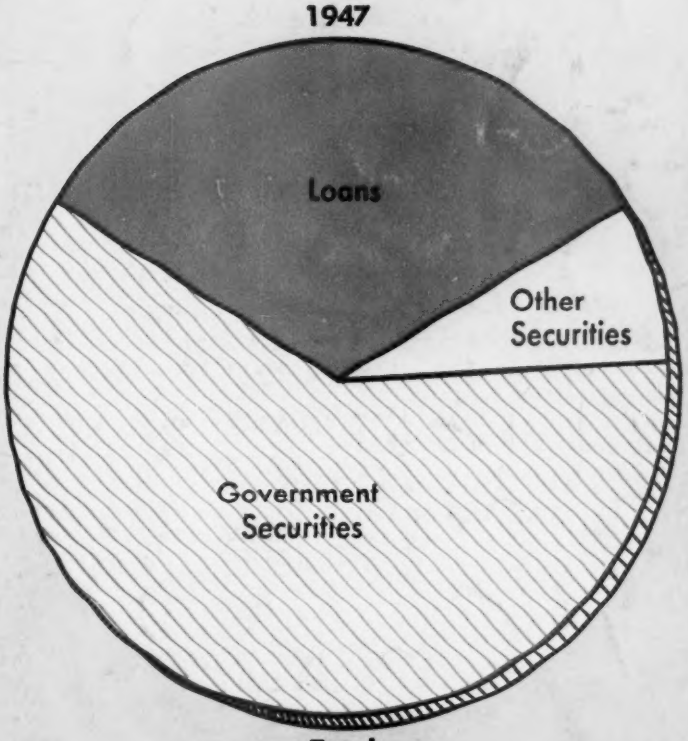
BUSINESS WEEK

MAY 8, 1948

WHAT BANKS DO WITH THEIR MONEY



Total Loans and Investments $49,424,000,000



Total Loans and Investments $116,430,000,000

Data: Federal Reserve Board.

Report to Executives: "The Banks – Where They Stand in the Postwar Economy" (pages 6 and 73)

A McGRAW-HILL PUBLICATION

America has never been over-produced

...it has only been over-priced

THE idea that workmen have to stretch their jobs, for fear that if they work too fast the market will be glutted and their jobs will end, needs to be examined.

There are said to be 9 million American homes without running water, 29 million American homes without water heaters, 3 million farms without electricity, 9 million American families who want homes, and millions and millions more who want and need hundreds of other things.

Everything has its price (determined by cost of production). Get it low enough and people will buy. The greatest, soundest, longest-lasting prosperity America ever dreamed of would be ours if we got prices of all these wanted things down to that level where people would buy them. Then and only then we would have true security. Then and only then we would have true prosperity—more of everything for more people.

There are three things needed:

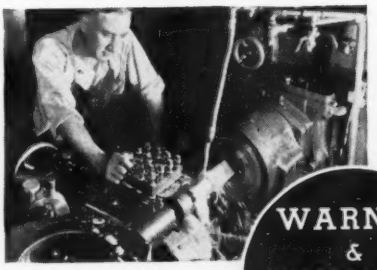
1—**tax laws that let companies accumulate enough to buy new equipment.**

2—**management that uses that money to provide the most modern machines.**

3—**workmen who use those machines to the fullest extent to get costs down. Prices will follow—competition takes care of that.**

Then nobody has to worry about "stretching his job"—he'll have all the work he can handle and his wages will buy more than he ever dreamed of.

As long as any hard-working, self-respecting American wants anything, we're not over-produced. But as long as he can't afford to buy it, we're over-priced.



WARNER & SWASEY
Machine Tools
Cleveland

YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES, AUTOMATICS AND TAPPING MACHINES

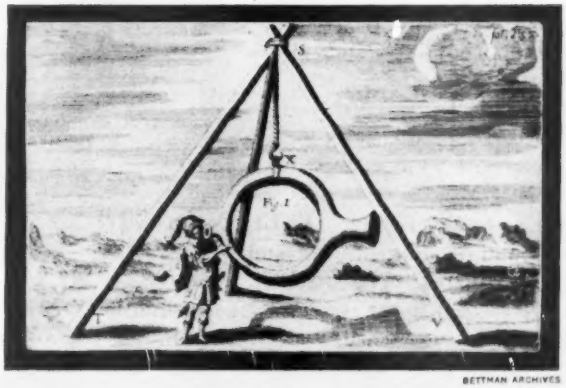
The voice of Man has long struggled to defeat space.
The "magic horn" of Alexander carried his voice almost three miles!
Now, Radio towers like that of WCBS at the left,
send Man's voyaging voice everywhere.

lo we go from here...

One frontier in Radio is almost entirely gone: the frontier of space. Wherever Americans live, they now own a radio and listen to it. Today the Radio set is an intimate furnishing of the lives of 93% of all the families in America. *What frontier, then, is left?*

It lies in what Radio can *say*, rather than where it can *go*. It lies in the nature and quality of Radio's programs... in the limitless field of Man's imagination and responsibility.

The evidence accumulates that CBS leads all Radio in pushing back this frontier—bringing 99,000,000 listeners each week CBS-produced programs which stake new claims on the American people's desire for entertainment, knowledge and inspiration.



BETTMAN ARCHIVES

As the New York Times put it in its annual summary of Radio's progress—*"In original programming—CBS was far and away the leader. In a year marked by vapid talk... CBS actually did something..."*

This "something" includes the CBS Package Programs, *the most exciting new hits in Radio.* Such sponsored shows as Arthur Godfrey, "My Friend Irma," Abe Burrows, Edward R. Murrow, "Strike It Rich"; such sponsorable ones as "mr. ace and JANE," Mickey Rooney in "Shorty Bell," Hoagy Carmichael, "Studio One," and many others.

Sponsored CBS Package Programs currently average 40% *less* in talent costs than other network programs.

So, for large audiences at low cost... at the *lowest* cost in network Radio today... see CBS.

Columbia Broadcasting System

—where 99,000,000 people gather every week

BUSINESS WEEK

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THE MORE WE REDUCE THE BIGGER WE GET!

by Mr. Friendly

We must be crazy! We work hard to get *less* money. When a company takes out insurance with American Mutual, we do everything we can to eliminate accident hazards . . . and what happens?

The company gets better protection . . . premiums get smaller. And we keep right on, year after year, trying to make them smaller yet!

We've been *reducing* costs and increasing profits for policy-holders for 61 years. But it must agree with us . . . For today American Mutual is bigger than ever before. Guess businessmen just like to save money . . . How about you?

AMERICAN MUTUAL

. . . the first American liability insurance company

1948 Miracle! . . . With rising prices everywhere, we *still* give you the opportunity to save 20% on premiums! What's more, our special I. E. Loss Control service* (at no extra charge with every industrial policy) helps reduce accidents, increase profits and production. Write today for "The All-American Plan for Business" or "The All-American Plan for the Home." American Mutual Liability Insurance Co., Dept. B-47, 142 Berkeley St., Boston 16, Mass. Branch offices in principal cities. Consult classified telephone directory.

**Accident prevention based on principles of industrial engineering.*

THE DEPARTMENTS

THE COVER

The 14,186 commercial banks of the U. S. took on a new job during the war. They became the custodians of some $70-billion of government debt.

• **Shift**—Today, Treasury securities account for about 59% of the total loans and investments of commercial banks (cover). Loans, which made up 72% of the total in 1929, are only 33% now.

This shift in the center of gravity of bank portfolios has brought new problems and responsibilities—to banks and to the government officials charged with control of money and credit.

Every businessman has a stake in these problems, because the banks in our economy are far more than just a source of short-term accommodation for business. They are the central mechanism in our credit structure. They play a vital part in the development of booms and depressions. If the war has changed the banking system fundamentally, then it has changed the whole economic climate in which business lives and works.

• **Problem**—Ever since the goldsmiths started making loans out the back door in the late middle ages, the banker's big problem has been to figure out a policy that would combine safety with vitality and enterprise. On one hand, banks are supposed to supply the legitimate needs of business for short- and medium-term credit. If they refuse to take any chances, they lose their economic justification. When that happens, they have taken a long step toward nationalization, whether they realize it or not.

On the other hand, a bank's first duty is to protect its deposits. Whenever banks collectively get reckless, they set the stage for something like 1933.

• **Report**—The Report to Executives (page 73) takes up the questions of what new twists the war has put on this ancient problem—and what the consequences will be for business and for the U. S. economy as a whole.

BUSINESS OUTLOOK

BUSINESS WEEK
MAY 8, 1948

Business today is in one of its spottiest phases since the war. Yet optimism is just about as strong as it has been at any time.

Aid for Europe has had little influence on exports. Preparedness has not reached the spending stage. Several consumer lines have slumped. Heavy industry is handicapped by lack of steel.

Yet consumer spending sets one new record after another; and business confidence for this year and beyond is unruffled.

•

Strongest comeback of the year to date has been in store sales.

Disappointment over Easter volume now may be forgotten. Looking back, it seems pretty sure that an early Easter and bad weather were at fault.

April results demonstrate this clearly. More seasonable weather sent department-store dollar volume up quite briskly.

The data are tricky. You have to allow for seasonal variations and for the later Easter in 1947. But after such adjustments and using preliminary figures, the Federal Reserve Bank of New York observes:

"It is altogether possible that the dollar amount of sales approximated that of the best postwar months."

Thus, April gains go a long way to wash out March disappointments.

•

Retail profits probably will improve in many instances over the rest of this year—through a closer rein on expenses.

Relatively poor showing in February and March opened many eyes. It had been obvious that whopping gains over year-ago levels couldn't be recorded forever; by March it appeared the big gains were at an end.

This automatically brought to light an old problem: costs.

With steadily mounting dollar sales and fat margins, retailers didn't have to think much about expense ratios. Now it's different.

Hughston M. McBain, president of Marshall Field & Co., spent much of his time at the store's annual meeting of stockholders talking economy.

McBain's formula: "increasing pressure on expense reduction through greater efficiency, elimination of waste, and the curtailment of dubious or unnecessary activities."

•

Manufacturers, too, are in a period that will pose cost problems.

Volume no longer is pointed higher and higher for most plants. There may still be a famished market. There may even be unused production facilities. But manufacturers probably can't get more (1) steel or (2) men.

The auto industry is in this fix. The goal of 6-million cars and trucks in 1948 has been abandoned. (The coal strike had a big hand in it.)

Now Detroit will be happy to go over 5-million units as in 1947.

•

Steel production this week was back up above 90%—highest level since the coal walkout ended. But that doesn't make up for steel lost in earlier weeks. Witness the fact that Chrysler has announced a four-day shutdown, starting this weekend, to replenish depleted steel stockpiles.

•

Biggest danger in the present situation is that hopes may be too high.

All the people talking about military contracts aren't going to get them—at least, not right away. Makers of some lines whose volume is off should be out pushing door bells rather than waiting for Uncle Sam.

This is particularly true now when there isn't the impetus of constantly

rising auto output to take up slack in the economy. With export volume below a year ago, inventory accumulation probably slackening, and mortgage money threatening to crimp housing (page 19), it isn't all orchids.

•

Sharpest 1948 reduction in income has been that of agriculture.

This is not to say the farmer is hard up. It's only that gross and net income have to be compared with the record levels of last year.

On the one hand: Farm products are down sharply from January highs. (Except for meats, most prices are likely to go down rather than up. Thus crop production as large as last year might bring substantially less.)

And on the other: Costs are considerably above a year ago. (Take just one item, labor. Suppose $1 worth of produce in the 1910-14 parity period paid for $1 of labor. Over the average for 1935-39, $1 worth of crops bought 96¢ worth of labor. Now it buys only 69¢ worth.)

•

Livestock raisers have a much better chance of improving their profit margins than farmers who rely almost entirely on the soil.

Meat animals probably will rise in price between now and autumn. If feed crops are plentiful, it shouldn't cost too much to fatten the critters.

•

Favorable corn-hog ratios this fall will mean more pork chops in 1949.

In other words, if hogs bring a high price relative to the corn it took to feed them, farmers will plan on raising more pigs.

Fact is, the government is urging them to get ready now to raise 3-million more for this coming fall than they did last year.

Present prices don't help this campaign. Corn is down nearly 20% from its high, to be sure. But hogs are down close to 30%.

Trouble with hog prices seems to stem from the strike of the C.I.O. packinghouse workers. Marketings have been about normal. But "normal" runs are too much for the packers to slaughter during a walkout.

With a return to orderly marketing after settlement of the packinghouse strike, prices paid farmers for hogs probably will rise. Supplies of pork still will be relatively tight. Nothing has changed that.

•

February's price break didn't bring any reduction in the amount of money spent for food.

In fact, on a dollar basis, food expenditures were substantially bigger in March than in February. However, that is largely because of the longer month; adjusted for seasonal variation, food sales were almost exactly the same for the two months (but up 15% from a year ago).

•

Uncle Sam's cash income and outgo won't be much better than in precarious balance from now until next Mar. 15.

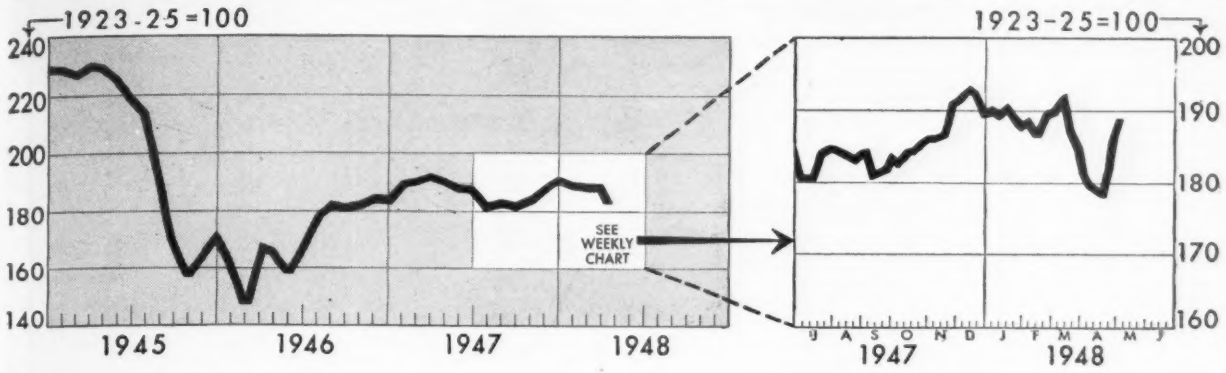
That can have a significant effect on federal fiscal policy.

Heretofore, the government has been retiring debt with its surplus. This kept a certain check on bank reserve funds, tightening money.

Now the tax cut reduces revenues; meantime preparedness increases spending. No longer is there a surplus for debt retirement. In fact, the Treasury will run a cash deficit except in tax months—June, September, etc.

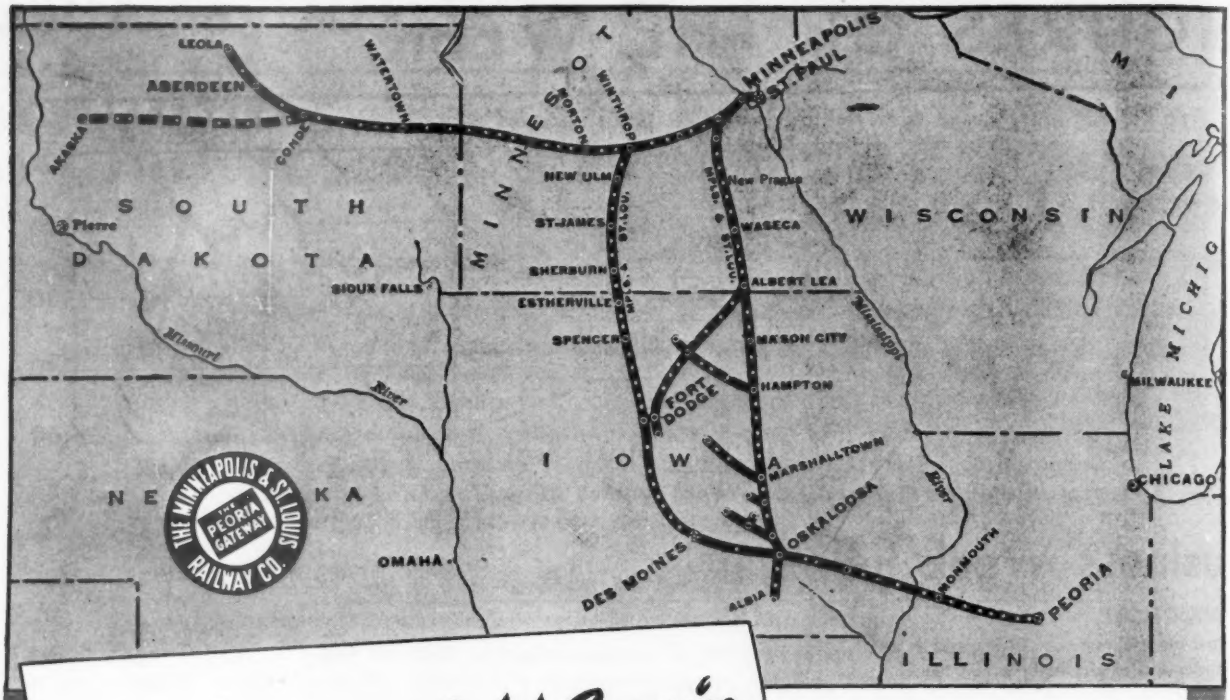
To keep pressure on credit, the government will have to draw down on its bank deposits in months when it is in the red. Fortunately, the Treasury has elbow room—about $2-billion of deposits to tap.

FIGURES OF THE WEEK



	§ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Business Week Index (above)	*189.0	†186.2	181.1	191.3	162.2
PRODUCTION					
Steel ingot operations (% of capacity)	91.0	86.6	83.2	90.6	97.3
Production of automobiles and trucks	102,039	†107,093	105,132	101,690	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	$24,079	$23,266	$22,534	$16,506	$19,433
Electric power output (million kilowatt-hours)	5,042	5,027	5,037	4,640	3,130
Crude oil (daily average, 1,000 bbls.)	5,413	5,415	5,389	4,951	3,842
Bituminous coal (daily average, 1,000 tons)	1,892	†1,288	353	2,138	1,685
TRADE					
Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars)	81	81	83	86	86
All other carloadings (daily average, 1,000 cars)	61	50	28	63	52
Money in circulation (millions)	$27,682	$27,718	$27,780	$28,114	$9,613
Department store sales (change from same week of preceding year)	+11%	+8%	+17%	+15%	+17%
Business failures (Dun & Bradstreet, number)	106	100	91	70	228
PRICES (Average for the week)					
Spot commodity index (Moody's, Dec. 31, 1931=100)	415.8	416.2	412.4	398.2	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)	274.3	†271.7	270.5	267.6	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)	371.5	372.5	366.7	333.7	146.6
Finished steel composite (Steel, ton)	$81.14	$81.14	$81.14	$69.82	$56.73
Scrap steel composite (Iron Age, ton)	$40.42	$40.33	$40.25	$29.75	$19.48
Copper (electrolytic, Connecticut Valley, lb.)	21.500¢	21.500¢	21.500¢	21.990¢	12.022¢
Wheat (Kansas City, bu.)	$2.39	$2.46	$2.44	$2.67	$0.99
‡Sugar (raw, delivered New York, lb.)	5.20¢	5.33¢	5.40¢	6.19¢	3.38¢
Cotton (middling, ten designated markets, lb.)	37.37¢	37.78¢	35.93¢	35.83¢	13.94¢
Wool tops (New York, lb.)	$1.833	$1.753	$1.794	$1.521	$1.281
Rubber (ribbed smoked sheets, New York, lb.)	23.35¢	23.21¢	22.20¢	24.04¢	22.16¢
FINANCE					
90 stocks, price index (Standard & Poor's Corp.)	123.3	124.3	120.5	117.2	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's)	3.43%	3.45%	3.50%	3.15%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's)	2.77%	2.78%	2.79%	2.53%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	1½%	1½%	1½%	1½-1½%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	1⅜%	1⅜%	1⅜%	1%	½-⅝%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks	46,671	46,718	45,340	46,150	††27,777
Total loans and investments, reporting member banks	62,940	63,454	62,221	63,438	††32,309
Commercial and agricultural loans, reporting member banks	14,159	14,205	14,417	12,043	††6,963
Securities loans, reporting member banks	1,558	1,668	1,666	1,884	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	35,475	35,643	34,433	39,465	††15,999
Other securities held, reporting member banks	4,305	4,331	4,335	4,109	††4,303
Excess reserves, all member banks	880	720	600	654	5,290
Total federal reserve credit outstanding	20,952	20,966	21,607	22,205	2,265

*Preliminary, week ended May 1st. †Revised. ‡Ceiling fixed by Government. §Date for "Latest Week" on each series on request. ††Estimate (B.W.—Jul.12'47,p.16).



Fast Freight Service

FOR THE Midwest

Four great states, Minnesota, South Dakota, Iowa and Illinois, comprise the heart of the Midwest Empire of agriculture and industry. The Midwest leads in production of grains, hay, flax seed and soy beans; and of cattle, hogs, poultry and their products.

On the solid foundation of wealth from fertile farms, the Midwest is building a mighty industry.

The Minneapolis & St. Louis, a modern, efficient railway, provides Midwest agriculture and industry with

Fast, Dependable Freight Service

The M. & St. L., a vital bridge line, also moves transcontinental freight faster via strategic gateways; and offers advantageous sites for industries seeking to locate or expand in the Midwest.

TRAFFIC OFFICES IN 36 KEY CITIES • LINKED WITH TELETYPEWRITER SERVICE

The Minneapolis & St. Louis *Railway*

WASHINGTON OUTLOOK

RENEGOTIATION of munitions profits is riding back on the wings of the new armament program (page 22).

The Republican Congress is doing this. It has written into the 70-group Air Force appropriation bill a requirement that all new Air Force or Navy BuAir contracts provide for profit refunds.

Subcontractors are included. The only exemption that the military could sell the Senate committee was on small contracts—$100,000 or less.

The military doesn't mind so much renegotiating airplane-makers; they have to take military business or starve. What the Pentagon fears is that renegotiation might repel those potential contractors who are free to take civilian business instead; but the services figure the $100,000 exemption will take care of a lot of this.

•

For now, this business of recapturing unreasonable profits is limited to the air program—because that's about all there is to rearmament.

If the program should grow to the point where it includes any quantity of tanks and ships and such, there'll be another argument between Congress and the military over how far renegotiation should go.

Congressmen are in a mood to renegotiate everybody. With no excess-profits tax on the books, they're afraid there will be too much gravy for munitions makers. The military is more concerned with keeping it attractive for people to take orders for tanks.

•

PRIORITY FOR MUNITIONS ORDERS is Congress' answer to military worries over finding contractors for armament business.

This first step back toward production controls is being written into the new draft bill. Congress is putting it into this particular bill, as was done in 1940, because of a hard political fact: You can't conscript boys without conscripting industry.

It means you'll have to take munitions orders that are offered to you, and give them precedence.

As industrial controls go, this is about a minimum. It simply insures that today's moderate munitions program can be fitted into a tight economy.

•

Will controls stop here? For this year, at least, we still think so.

The volume of munitions scheduled to be fitted in just isn't big enough to squeeze civilian business so hard it will squeal. Many of Truman's people aren't so sure. They're beginning to think businessmen can soon be sold on the value to them of production controls.

So, you'll be hearing less talk from Washington about price controls, more talk about allocation and scheduling.

The argument runs like this: True, military spending isn't much bigger. True, the Marshall Plan merely maintains the dollar level of exports. But, in both cases, there is an emphasis on hard goods, capital equipment.

So the impact on an already booming business is greater than you would think. When munitions and foreign orders make priority demands on, say, steel something gets squeezed out.

And WPB veterans, like Krug, think businessmen can be convinced that, if you don't do something about it, the wrong things lose out—the power generator for St. Louis instead of the toys for next Christmas.

•

THIS ARMAMENT PROGRAM really is pretty small stuff.

We rechecked this week, with the procurement people, what we've been telling you ever since Truman's St. Patrick's Day message—that this is something business can take in stride.

One thing stands out everywhere you go: What you've got is essentially a token rearmament, something intended to make a showing of activity for its psychological effect abroad.

Truman's extra $3½-billion isn't going to fit the Military Establishment to do any specific job; it isn't intended to. It's just a figure Truman picked as being what the country could comfortably afford.

Neither is the new money a down-payment on some long-range goal. This isn't tooling-up money for a future big fighting force. It's just money for procurement of a little more of what the military has now.

Of the $14½-billion that Congress is going to give Defense Secretary Forrestal, about $2-billion is for new airplanes. Another $2-billion is for a scatteration of shells, trucks, ship modernization, and miscellaneous fighting gear. The rest is for pay and for housekeeping.

•

TAFT IS GUNNING for Truman's Council of Economic Advisers.

The senator is trying to line up his Joint Eco-

nomic Committee behind an attack on the vigorous role that Council Chairman Nourse and his colleagues are playing in shaping Truman's policies.

Taft wants the forthcoming committee report to say, in effect: The council's sole job is to keep an eye open for threats of a business bust—and do something about it when it comes. Meanwhile, it should keep its fingers out of national policy.

That's not the council's view of its job. The advisers feel that they should be constantly at the President's elbow—to analyze the effects of a foreign-aid program or a tax cut, or to warn of the economic dangers of too big a military program.

•

TRUMAN HAD PALESTINE IN MIND when he reminded his press conference that he has the right to commit American troops abroad without asking Congress.

There are more than 3,000 battle-tested marines already standing by in the Mediterranean. And a full division has been on 24-hour embarkation notice for weeks in North Carolina.

Everyone now expects that the British withdrawal from Palestine May 15 will be the signal for a full-dress invasion by the Arab countries. And there are upwards of 5,000 American citizens in Palestine to be evacuated.

•

Political worry: The State Dept. fears Russia will leap to recognize any proclaimed Jewish State, announce a treaty of friendship that would justify unilateral intervention in the Middle East.

•

HERE'S WHY Congress is going to relieve unions of having to win an election to be eligible for a union-shop contract:

(1) NLRB is being swamped with 5,000 requests for elections every month—and the unions win 99 out of 100 of them anyway.

(2) Management has been embarrassed at the bargaining table by the moral pressure to grant a union shop once the union has won a government-sponsored referendum.

•

THE SCIENCE FOUNDATION is heading into another Truman veto.

Taft's Senate Labor Committee has upset the deal worked out between the foundation bill's sponsor, Sen. Smith of New Jersey, and the White House.

After last year's veto, Smith and Presidential Assistant John Steelman got together on a bill that would: give a presidentially appointed foundation director broad executive powers; set up a "board of directors" of scholars to make policy. Taft's committee struck out all the director's powers, turned them over to the part-time board.

The committee version is greased for final congressional action by the House within a week or two.

•

TOP ECA APPOINTMENTS are being cleared with Senators Vandenberg and Bridges and House money boss Taber before Paul Hoffman can put the men to work.

The result: Prospects with State Dept. taint are vetoed—Greek-Turkey Coordinator George McGhee, for one. Also, Democratic National Committee endorsement doesn't help much; former Gov. Tobin of Massachusetts was turned down.

But Democrat Howard Bruce, Maryland businessman and onetime senatorial candidate, won approval to be Hoffman's No. 2 man. And Commerce Under-Secretary Foster, who was turned down for that job, becomes Harriman's No. 2 man in Europe. David Bruce of Commerce gets the Paris ECA post.

•

• TVA won't get funds to start the new steam generating plants it wants—not this year, anyway. The G.O.P. leadership in Congress has decided that Democratic Tennessee is a politically safe place to save money. . . .

• It's an open secret in Washington that the atom bomb test at Eniwetok last month was the deep-water explosion—Test Charlie—which was omitted at Bikini. If true, this knocks out the common assumption that improvements in the bomb made the new test necessary. . . .

• Truman is working an "Eccles deal" at the Maritime Commission. He has asked Adm. Smith to step down as chairman to make way for Raymond McKeough. It's a sop to the C.I.O.; McKeough worked for P.A.C. in 1944. . . .

• The White House is exploring the possibility of getting Senate confirmation on an appointment of Presidential Assistant John Dawson to the RFC chairmanship. . . .

• Behind John Sonnett's resignation from the Justice Dept.'s Antitrust Division is an Ed Flynn veto of the trust-buster for a federal judgeship in New York. Sonnett had been staying in Justice on the promise of the appointment.

BUSINESS WEEK

NUMBER 975

MAY 8, 1948

"LEGION VILLAGE" was finished this spring by the nonprofit American Legion Housing Corp. of Baton Rouge. Its 250 houses have helped make 1948 look very much like . . .

Homebuilding's Biggest Year

More new dwelling units were started in the first quarter of this year than last. If the pace keeps up, 1948 will even pass 1925. But high prices, tight mortgage money, could be deterrents.

Unless something goes wrong suddenly, 1948 is going to be the biggest year yet for new home building. This week, with good weather finally setting in, residential construction all over the country was spurting to record levels.

• **Increase Over 1947**—The number of new dwelling units started in nonfarm areas hit 67,000 in March (BW—May1 '48,p10). That's an increase of 20,000 over last February and 8,600 over March, 1947.

These increases may be a little deceptive. February was a miserable month for weather. And a year ago, residential construction got off to a slow start because buyers were balking temporarily at the inflated postwar price scale on housing.

• **Record in Sight**—But even so, the 164,000 new starts in the first quarter of 1948 represents a gain of 15% over the first three months of last year. That's enough to persuade the Dept. of Commerce it was right when it predicted that a total of 950,000 privately financed new units would be started this year. The 950,000 goal would put 1948 homebuilding about 100,000 above 1947. It would even top the 937,000 starts in 1925, until now the record.

A Business Week survey this week of key cities confirms the fact that building is uncorking a new burst of speed. With few exceptions, builders report that they are building more and planning more than a year ago. Most of them also predict that the housing boom is good for at least another year or 18 months—but there are more dissenting votes on this point.

• **Materials Loosen Up**—Bottlenecks of building materials seem pretty well broken now. Builders still complain that they have trouble getting nails, gypsum lath, asbestos siding, and similar materials. Plumbing supplies and electrical fixtures are hard to get at times. Hardwood flooring isn't always available in the grades or amounts desired.

But no builders report shortages so acute that they have to stop work while they wait for materials. Either they are able to get by with substitutes, or they go into the gray market and find what they want—at a price (BW—Mar.20'48, p19). Nails, for instance, still bring $10 a keg in under-the-counter deals. The posted price is $6 to $7 a keg. But a year ago, the gray market was getting as much as $15.

• **Quality Improving**—The quality of new housing also seems to be improving somewhat this year. Contractors say that buyers are demanding better construction for their money. And the improvement in the supply situation on materials is making it possible to do a better job.

Much-publicized investigations of frauds or near-frauds on careless home buyers, usually veterans, have touched off a public demand for prevention of inferior workmanship. To some extent, this has made builders more careful. But, as always, buyers still have to look closely to be sure what they are getting.

• **Mortgage Money Tight**—At the moment, there is only one real cloud blowing up on the building industry's horizon. That is the growing shortage of mortgage money (BW—Mar.6'48, p26). So far, it hasn't been serious enough to interfere with building plans. But some time in the future it might.

Builders in every part of the country say that it is harder to arrange financing this year. And buyers are discovering that they have to make bigger down payments and take shorter mortgages (which means larger monthly instalments).

• **Government Policies**—There are at least two reasons for these increasing difficulties over mortgages:

(1) Credit in general is tightening up as a result of the anti-inflationary policy of the Federal Reserve Board and the Treasury.

(2) The fast gain in real estate financing in the past two years has left many lenders holding all the mortgages they want. This is especially true of the commercial banks. Many bankers now say that they are "loaned up" on real estate.

• **Title VI.**—The mortgage picture is complicated by uncertainties about the future of government mortgage insurance. Under Title VI of the National Housing Act, the Federal Housing Administration has been guaranteeing mortgages up to 90% of the current costs of construction (with an upper limit of $8,100). Title VI expired on Mar. 31. It was renewed for 30 days, and probably will be renewed permanently. But the basis of appraisal was changed from current construction costs. At the moment, FHA is making no new commitments under Title VI. For the buyer, this means a bigger down payment; an appraisal of long-term value these days runs well below current construction costs.

Moreover, FHA-insured mortgages

yield the lender only 4%. And that doesn't look like much in today's market.

• **Rising Prices**—Another cloud in the financing picture is the fact that costs and prices of new housing are still rising. Builders say that with wage boosts and higher materials prices it costs them about 15% more than a year ago to build a house.

They insist that they are absorbing part of the increases, but admit that their prices are going up too.

• **Roundup**—Here is the way things shape up in some of the cities covered by the survey:

Buffalo. In the first three months, Buffalo and eight suburbs issued 471 new residential building permits for $3.5-million compared with 373 permits for $3.2-million for the same period in 1947. Costs are up 5% to 15%. Builders at the moment are up in the air over expiration of their contracts with 22 building and construction unions. Once this is straightened out, they hope for a record year.

Baltimore. Building permits in the first quarter were up about 70%, dollar-wise, over 1947. Builders notice a decline in the veterans' demand for homes; they think those who haven't already bought have been priced out of the market.

Charlotte, N. C. Builders are planning on good increases in construction this year. Costs are up 8% to 15%, with the biggest percentage increases on upper-bracket dwellings. They expect demand for houses in the $12,500 to $15,000 range to hold steady. Cheaper houses, built mostly for the veterans' market, are slowing up.

Atlanta. More $8,000 to $15,000 homes are going up this year. Fewer $6,000 to $8,000 are scheduled. Builders are moving cautiously, feeling that buyers are getting tougher.

Cleveland. Costs are up about 15%. The market for houses priced at $10,000 and under is very active. Homes in the $15,000 class are still moving well, but banks are becoming stricter about mortgages. One builder who had been putting up houses to sell for $30,000 or more found this market so slow that he has turned to low-price construction entirely.

Chicago. Residential building as a whole is up. The bigger and better-financed builders are planning substantially more than a year ago, especially in the medium- and upper-price brackets. Smaller builders, especially the speculative operators, are not building so much as they had planned. Their trouble is the tightening mortgage situation. They need 100% financing, and they can't get it now. Few mortgages now are written for more than two-thirds of selling price, many for not more than half.

St. Louis. Builders are planning more construction this year. But some of them have become alarmed by the rise in costs and may not go through with their arrangements. For the first time since 1941, permits issued for home construction represent more money than for commercial and industrial building.

Houston. Building shows signs of leveling off. Costs are not up greatly, and prices are about the same. Demand for new homes is still strong.

Denver. Contractors are beginning to worry about rising costs. Some are holding off on their building plans, fearing competition from a city-owned housing corporation to build homes for veterans. But total building is going ahead at a steady pace.

San Francisco. Builders are planning more construction for this year, especially if the Title VI problem is cleared up. They are keeping a weather eye on the banks and watching the mortgage situation. Costs are up 5% or more; prices are up about the same amount.

Seattle. Outside the city limits, where the biggest building is going on, permits for new building are running a little ahead of last year. Builders think the big market for new houses is in the $7,000 to $8,500 bracket. Some are waiting for the mortgage picture to clear up. A couple of the big contractors are moving their major operations to Richland, Wash. (plutonium works). This has cut into Seattle activity.

Los Angeles. Activity is up. Costs are up about 6%. Prices are lower, on the average—but only because contractors are concentrating on cheaper houses. Completed units still move fast. Contractors figure that the boom is good for another two years.

"OPERATION EARTHMOVER" gets under way to clear site for Peoria recreation center

"EARTHOMETER" records progress

Fast Earth-Moving Job For Community Project

Not long ago citizens of central Illinois decided they needed a recreation center. Taking the idea to heart, people from Peoria and nine surrounding counties produced a volunteer army of 1,000 workers and 150 heavy graders, scrapers, and bulldozers. Led by a native Peorian, Lt. Gen. R. A. Wheeler, Chief of Army Engineers, the civic-minded team leveled the land for the site in just over 40 hours. Some $90,000 worth of labor and machinery were donated for the project. Actual construction of the Exposition Gardens will be financed by voluntary subscription. When completed, the center will contain a race track, fairgrounds, and athletic fields.

From Drought to Green Pastures

Drought in California this winter brought a reversal of the western trek of the "Okies" during the dust storms of the 1930's. This herd of whiteface steers is part of 5,000 head shipped by rail from exhausted feed lots near Los Angeles to the greener pastures of Osage County, Okla. Cowboys of the A. W. Lohmann ranch rode herd on the stock 8 mi. from a railroad siding to their 20,000-acre fattening ground. Rancher Lohmann expects that his Oklahoma grass will put 300 more pounds on each of the California refugees by fall. The California firm of Vail & Vickers owns the cattle.

The Supreme Court's Big Week

In three major decisions, it rules that most quantity discounts are illegal; that the movie industry violated the antitrust laws, that real-estate convenants can't be enforced in any court.

The U. S. Supreme Court this week handed down three decisions of far-reaching importance to businessmen:

IT APPROVED the Federal Trade Commission's strict interpretation of the Robinson-Patman Act's curbs on quantity discounts.

IT UPHELD most of the Justice Dept.'s antitrust charges against the motion picture industry.

IT RULED that federal and state courts could not use their authority to enforce restrictive real-estate covenants.

• **Wide Effect**—Every wholesaler, every retailer, and every manufacturer whose products are sold to the public through these channels will be affected by the discount decision. The court ruled:

(1) All quantity discounts are discriminatory, and therefore illegal, unless they can be justified by (a) lower costs "due to quantity manufacture, delivery, or sale," or (b) "the seller's good-faith effort to meet a competitor's equally low price."

(2) FTC need not prove that discounts are discriminatory. The burden of proof that they are not is on the seller.

(3) In presenting its evidence, FTC need only show a reasonable possibility that the discounts may have the effect of harming competition; it does not have to prove that they have actually done so.

• **Discounts on Salt**—The case involved here was that of FTC vs. Morton Salt Co. Morton's top grade of table salt, Blue Label, is sold on a "standard quantity-discount system" which is available to all consumers. The cost to purchasers differs according to the quantity bought, ranging from $1.60 a case for less-than-carlot purchases to $1.35 a case for purchases of 50,000 cases or more in any consecutive 12 months.

FTC ordered Morton to stop granting these discounts, on the ground that their full range was not justified by actual savings of cost. The order limited Morton's quantity discounts to a maximum of 5¢ a case; in addition, it prohibited sales to any retailer for less than Morton charged wholesalers. Last June, the Seventh Circuit Court of Appeals, in Chicago, threw out the FTC order (BW—Jul.5'47,p68). It ruled that quantity discounts are not discriminatory in themselves—even when they are not specifically related to differences in cost. The Supreme Court has now reversed that decision.

• **Minor Setback**—On only one minor point did the court overrule FTC: The commission order allowed Morton to give discounts up to 5¢ a case if they "do not tend to lessen, injure, or destroy competition." The court ruled that FTC had the right to set 5¢ as a maximum, but that it did not have the right to shift to the courts the responsibility for deciding when such a discount is or is not proper. So the court ordered FTC to decide definitely whether the 5¢-a-case discount should or should not be allowed.

In a sense, the court's decision on the Morton case was not unexpected. Almost 10 years ago, the Sixth Circuit Court of Appeals upheld FTC in a similar case involving Goodyear Tire & Rubber Co.; the Supreme Court refused even to rehear this case.

• **Film Monopoly**—The motion-picture decision involved several cases. In the most important, first filed in 1938, the Justice Dept. charged eight film producer-distributors with monopolistic practices. The eight are Paramount, Loew's, RKO, Warner Bros., Twentieth Century-Fox (these five also own theaters), and Columbia, Universal, and United Artists. The Supreme Court upheld the government and the lower court on a number of points. Among them:

Price Fixing. The distributors are forbidden to dictate the minimum admission which exhibitors must charge for specific films.

Clearance. The distributors are forbidden to require that an "unreasonable" time must elapse between first- and second-run showings of a film in a specific area.

Pooling. The five defendants who own theaters are forbidden to "pool" two or more normally competitive theaters—in other words, to eliminate competition by operating the theaters as a unit and splitting the profits.

Block-Booking. Distributors are forbidden to require an exhibitor to buy an entire specified group of films to get those he wants.

• **Big Point Still at Issue**—On one major point, the Supreme Court overturned the lower court decision. This involved the legality of ownership of theaters by producers and distributors—considered by many to be by far the most important point at issue.

The Justice Dept.'s position is that such vertical integration is illegal in itself; justice asked that the five companies in this group be made to get rid

of their theaters. The lower court rejected this plea. Instead, it:

(1) Enjoined the five companies from expanding their theater holdings.

(2) Prohibited any two or more of the five from joint ownership of a theater, and ordered divestment in such cases.

(3) Prohibited similar joint ownership by any one of the five and an independent—unless one of the two owns 95% or more of the theater's stock.

(4) Required every feature film to be sold to the highest bidder for its first run. This was intended to counteract the advantage of a distributor-owned theater; the lower court ruled that further consideration of the divestiture question should be deferred until this competitive-bidding system had a trial.

• **Start Over**—The Supreme Court, in effect, tossed this whole question back into the lower court's lap. It ruled that the lower court had not even considered the vital question of whether such a vertical setup resulted in a monopoly of first-run showings—which the Supreme Court calls "the core of the present cases."

The Supreme Court also tossed out the competitive-bidding requirement, on the grounds that it might well aggravate instead of relieve the situation. And, since a new start is to be made on the whole monopoly question, it also tossed out the injunction against expansion of theater holdings. The ban on joint ownership by two or more of the five was upheld, but the court said that the similar ban involving independents is proper only if the specific theaters involved were illegally acquired or used "as part of the conspiracy to eliminate or suppress competition."

• **Basis for Argument**—The Supreme Court specifically laid out the legal grounds on which the lower court should consider the monopoly question. Vertical integration is not illegal in itself, the court said. But it is illegal under the Sherman Act (1) "if it was a calculated scheme to gain control over an appreciable segment of the market and to restrain or suppress competition," or (2) if it can be proved that "a power to exclude competition is coupled with a purpose or intent to do so," even though that monopoly is not exercised.

On the whole, the decision was a hard blow to the eight film companies involved. The best that can be said of it is that it wasn't so bad as it might have been—the Supreme Court might have ruled for complete divestment, for instance. The immediate, sharp drop in the market prices of movie company stocks indicates that most observers considered the decision bad news.

• **Local Monopolies**—In three other movie-industry cases, the Supreme Court ruled that certain theater chains had monopolized the movie business in their areas. The companies involved: Griffith Amusement Co. and three other chains in Texas, Oklahoma, and New Mexico; Schine Chain Theaters in New York, Ohio, Kentucky, Maryland, Delaware, and Virginia; the Stanley Co. in Philadelphia.

One effect of these decisions will be to stop all building of new theaters by owners of chains. The day after the rulings were handed down, for instance, the Butterfield chain in Michigan canceled plans for construction of several drive-in theaters throughout that state.

• **Property Owners Affected**—The Supreme Court's restrictive-covenants decision will be important not only to real estate interests, but also to every businessman who owns his own home. These covenants are the clauses written into real estate deeds which bind the owner not to sell—in some cases not even to rent—to persons of specified race, color, or religion.

The court ruled that such clauses are not in themselves illegal—that voluntary adherence to them does not violate any law. But it said that they cannot be enforced by either state or federal courts—and that means, in effect, that they cannot be enforced at all if the property-owner chooses to ignore them.

War Contract Test

Supreme Court expected to uphold old renegotiation laws. If it doesn't, war contractors may get $3-billion.

The ghost of the old wartime renegotiation acts is still stirring—even as military procurement experts were busy this week with new contract rules (BW—May1'48,p25). At stake is the constitutionality of the laws of 1942 and 1943, which have netted the government more than $3-billion out of war contractors' "excessive" profits. The Supreme Court will probably give an answer before June—one way or another—on the renegotiation laws' validity.

• **$3-Billion Verdict**—An overturn of the laws isn't expected.

But if they should be held unconstitutional, the decision might wipe out the results of a 98% complete job of reviewing almost 120,000 war contracts. It might force the Treasury to unswallow all that it has collected under the law to date; such a sum—the $3-billion, after taxes—might go to 31,000 companies that have refunded it to the government in renegotiation.

• **The Challengers**—Three cases now before the Supreme Court center on the pivotal question of constitutionality. They short-circuited the normal renegotiation appeal procedure, which is to the U. S. Tax Court.

The three cases involve:

(1) Jacob Lichter, Jennie L. Lichter, individually and as copartners doing business as Southern Fireproofing Co.;

(2) A. V. Pownall, Grace M. Pownall, and Henes-Morgan Machinery Co., Ltd., a corporation, co-partners doing business as General Products Co.; and

(3) Alexander Wool Combing Co.

In each case the government sued the defendants to recover the amount that the War Contracts Price Adjustment Board had ordered refunded to the treasury. The lower courts in all three cases upheld the constitutionality of both renegotiation acts.

• **Procedure**—Under the renegotiation laws, "excessive" profits from war contracts were wrung out in negotiations between the Price Adjustment Board and the contractor. These discussions resulted in either (1) agreement on an amount to be refunded to the Treasury, if any, or (2) a determination of the amount by the Price Adjustment Board alone, if the contractor did not agree.

If the contractor wanted to appeal a unilateral board determination, he was directed by the law to appeal to the Tax Court. The law reads: The Tax Court ". . . shall have exclusive jurisdiction . . . to finally determine the amount, if any, of such excessive profits received . . . and such determination shall not be reviewed or redetermined by any court or agency."

But this procedure is one of the main points now being challenged. The Supreme Court will have to decide whether a law has the right to deny anyone access to the courts in renegotiation cases.

• **Decisions**—Up to the end of 1947, the Price Adjustment Board had disposed of about 118,000 contracts. Decisions on these cases break down as follows:

No excessive profits, about 85,000 cases (74%);

Agreement between contractor and government on the amount to be refunded, about 31,000 (25%);

Unilateral board determination without the contractors' consent, 1,600.

Only about 1,400 contracts are still to be reviewed.

As of Mar. 31, the Tax Court had on its docket some 560 cases involving renegotiated contracts.

• **Live Subject**—The government's authority to renegotiate war contracts expired at the end of 1945. Since then the Adjustment Board has been busy renegotiating business done before the cutoff date.

But the new House-approved bill raising the size of the Air Force (BW—May1'48,p28) includes a provision that would make all contracts subject to renegotiation again.

End of the Krupps

The great cartel empire of the Krupps was bred and nurtured in war. Historically a keystone of the German war machine, it became an early target of the Allies' postwar drive to rid Germany of its war potential.

The Krupps' blast furnaces and rolling mills at Borbeck were among the most modern in Europe. Started in 1917, the Borbeck plant went untouched after World War I. By 1933 the plant was ready and able to arm Hitler's new panzer divisions. At the height of World War II, Krupp works around Essen had a labor force of 76,300—of which 22,000 were slave workers.

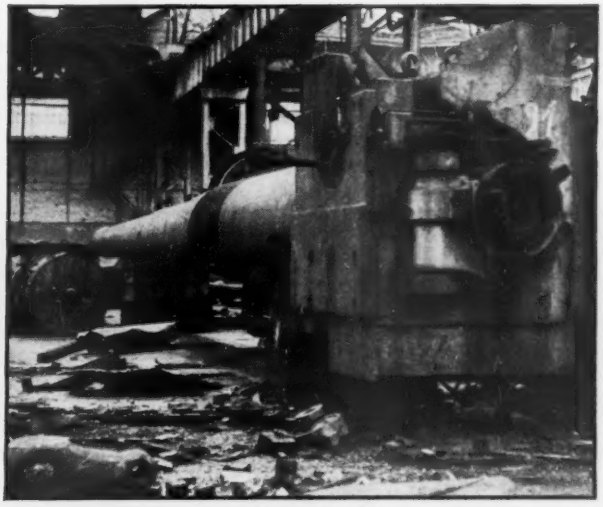
At the end of the war the British went to work under the Potsdam agreement. Through the Inter-Allied Reparation Agency the British tagged some of the remaining equipment for reparations, and other for complete destruction. The job will be finished sometime in 1949.

KRUPP GOES . . .

Man in charge of dismantling the great Krupp steel works at Borbeck, suburb of Essen, is a Britisher, Alfred T. Grose

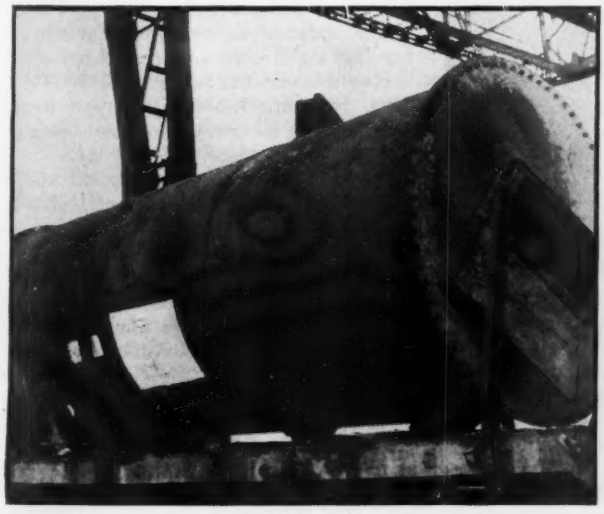
. . . TO ENGLAND

Thousands of tons of steel ingots, not treated as reparations, lie around works. Britain is angling to buy some of these



. . . TO FRANCE

Guns from French battleship Jean Bart, which Germans captured to overhaul and use against the British, will go back to France



. . . TO U.S.S.R.

Huge boiler is tagged for Russia, even though reparations have been up in air since last December's London conference

. . TO NOBODY

Huge machines, whose purpose could only be turning out war equipment, are being completely destroyed by British teams

Price Front Quiet

Steel and electrical cuts bring no over-all downtrend yet. Industry, labor take "wait and see" stand.

No avalanche of price-cutting this week followed the dramatic reductions just made by the steel and electrical equipment industries. Instead, the nation's price structure stayed just about where it was.

But a sudden lull in markups showed that the broad inflationary rise was checked for a time. And the psychological effect of the industrial price cuts caused uneasiness in the primary markets (page 98).

• **Product Prices**—Since steel companies were still posting new prices this week, it was too early to gage their full effects. Prices of products made partly or wholly of steel so far were unchanged.

But in Detroit reports going around were that auto prices would not come down. Estimates put the apparent saving on steel in an average car at about $3 to $5. Automakers, however, were said to be disinclined to pass on this saving because other costs had risen since current prices were fixed.

• **Surprise**—U. S. Steel's announcement of price reductions ranging from $1 to $5 a ton on a wide variety of steel products astonished competitors as well as buyers. A few steel companies tried to meet the competitive figures up and down the list, even though some price items seemed below cost of production.

Differences in quotations, however, rather than matching prices, appeared the order of the day.

• **Steel Cuts Vary**—Steel buyers generally were scanning the new price lists from the mills with mixed feelings. They were puzzled to find that all steel companies were not lowering prices by the same amounts.

For example, U. S. Steel cut enameling sheets $2 a ton; Inland dropped its price by $4. Big Steel shaved off $3 on floor plates; Inland sliced off $5. On the other hand, Inland made no changes in rails, structural shapes, plates or galvanized sheets; Big Steel reduced prices on them.

Such price variations in more normal times would send buyers out shopping around. But the supply of steel is tight, so buyers are more interested today in quantity than in price.

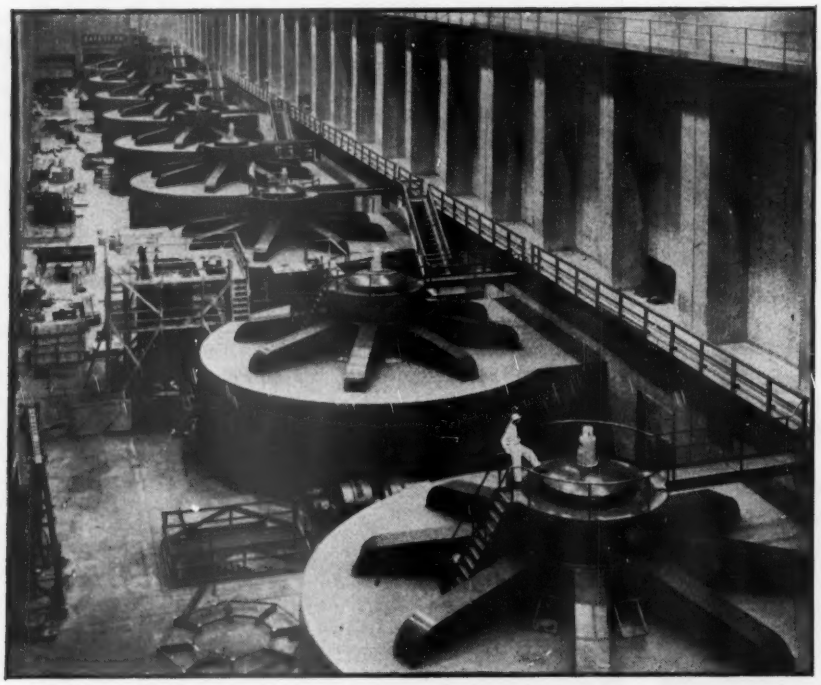
• **Long-Distance Worries**—Customers at some distance from the mills were also worried that they may find it harder than ever to get steel. They have two reasons:

(1) Mills may decide to sell even closer home to minimize the effect of their price cuts; and

(2) If the steel industry moves to junk basing-point pricing because of the Supreme Court decision in the cement case (BW—May1'48,p24), distant buyers will have to pay heavy freight charges.

• **Labor Picture**—On the labor front, the third round of wage increases continued to be stalled. Spot pay boosts occurred here and there. But management generally was sticking to its policy of holding off on higher wages; they were waiting to see what happened to the price curve.

Labor union leaders were critical. What price cuts were announced, they said, had no effect on the cost of living. A comment that was typical: "Auto workers will be impressed only when they find grocery and clothing and furniture and automobile prices to consumers reduced."



New Generators Bring Coulee to Halfway Point

Man's nine largest hydroelectric power units were roaring in the vast west powerhouse of Grand Coulee Dam last week. Put in operation late in April, they have brought this development to the halfway point. They provide a peak capacity at the dam of 1¼-million hp.—greater than the combined strength of 200 big railroad locomotives. Though each generator has a name-plate rating of 180,000 kw., loads of 126,000 kw. are handled easily. The power flows to farms, industry, homes, and the Atomic Energy Commission's plutonium works farther down the Columbia River.

Grand Coulee's 150,000 hp. turbines were manufactured by Newport News Shipbuilding & Drydock Corp.; the generators, by Westinghouse Electric Corp.

WORLD RUBBER SUPPLY UP

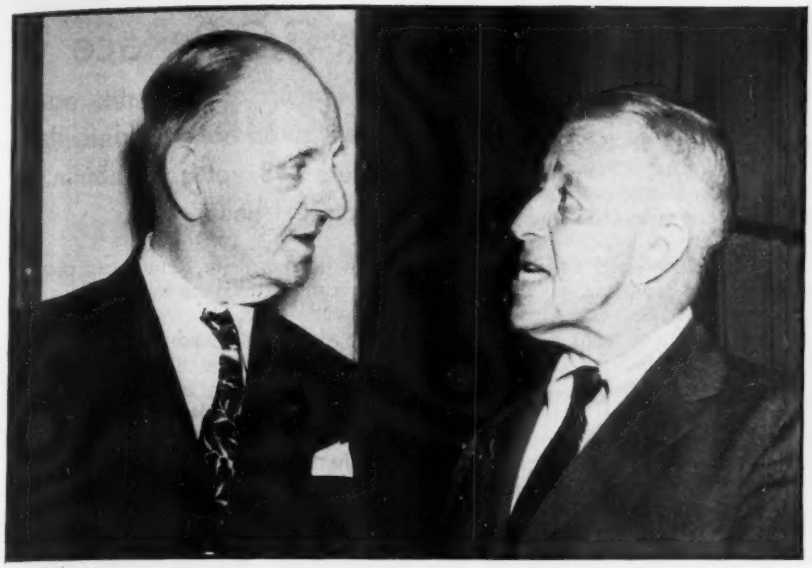
The prospects for world rubber output look bright. As the experts predicted a year ago (BW—Feb.1'47,p32), production of natural rubber will eventually outrun the total rubber demand. The world is nearing that condition rapidly.

The Rubber Study Group's fifth annual meeting in Washington last week estimated 1948 production of natural rubber at 1,390,000 long tons. This would indicate an oversupply already, for the world consumption of natural rubber this year will be about 1,310,000 tons. Synthetic rubber will supply the remainder of the world's total consumption of both types: 1,745,000 tons.

As for 1949, says the group, natural rubber production will hit about 1,550,000 tons. But it expects total consumption of both natural and synthetic to stay at about the current level.

U. S. rubber consumption during 1948 will break down this way: 576,000 tons of natural, 392,000 tons of synthetic. The U. S. is the chief user of synthetic; Canada is in second place, with an estimated consumption of only 20,000 tons.

The United Kingdom is second to the U. S. in natural rubber consumption. It will consume an estimated 205,000 tons in 1948. France is third with 93,000 tons.



SELECTIVE SERVICE DRAFTSMEN Carl Vinson (left), ranking member, and Walter G. Andrews, chairman: Their House Armed Services Committee must answer a question . . .

Will Technicians Be Deferred?

Their spokesmen point out that drain on technical brains in World War II by failure to assign them to skilled jobs created "lost generation of scientists." More care seems sure this time.

The new selective service law now being drafted in Congress will have some kind of deferment policy for scientists and technical men. The details aren't worked out yet, but the language will be either a directive to the President or a general policy preamble in the bill.

• **Drain on Brains?**—But there's one thing that professional groups aren't sure of this week: Will the legislation be explicit enough to prevent a new drain on the nation's laboratory brains? Dr. Vannevar Bush, chairman of the government's Research & Development Board, says that the United States came out of World War II with a serious deficit of trained scientific personnel.

Equally concerned about the problem are the engineers, whose ranks also were severely drained during the war. Some of the proposals put to the Armed Services Committees of the Senate and House would give special consideration to engineering and production experts, along with physicists and chemists. One amendment suggests that deferment of an engineer be based on (1) training and experience; (2) how fully his talents are being used; (3) the importance of his work to national security.

• **Bypassed**—This should be kept in mind: The limited draft now in the works would bypass most young engineers now in industry. More than likely, they are either over 26 years old, or are veterans and, thus, probably not liable for induction, or have physical disabilities.

But the new draft would hit engineering students who have entered college since the wartime draft act expired—unless they get special consideration.

• **No Blanket Deferment**—That consideration is what the professional groups are trying to get. They do not ask for blanket deferment; what they want is for Congress to set up machinery for handling technical people. Exemptions would go on an individual basis to those who qualify as essential students, or professionals.

The Armed Services Committees, after testimony from scientific spokesmen during hearings, promised that the issue would be faced. (The House bill is already out of committee and ready for a vote. The Senate will have its proposal up for a vote by late May.) Officials of scientific groups are depending on senators like Alexander Smith of New Jersey and William Fulbright of Arkansas to carry the ball during debate.

• **Tradition**—The toughest problem the scientists have is to change the way the draft has always been handled. The World War II act was essentially the same as the World War I law—and even the Civil War law. There never has been exemption machinery for students and trained technicians; instead, the decision has rested on age, dependency, and physical fitness.

Last time, war-job deferments were almost entirely abolished by the time of the Normandy invasion—with one exception: Farmers were protected under the Tydings amendment.

Responsibility rested with local boards of citizens. That's a democratic technique all right, the scientists say. But it leaves to chance whether a highly talented student, a professor, or a young professional scientist is used to the best advantage. They add that the nation can't afford a second gamble.

• **Lost Generation**—Charles A. Thomas, president of the American Chemical Society, testified that draft policies and the failure of the Army and Navy to assign scientists to skilled jobs during the last war in effect created a "lost generation of scientists." The result, he said, is that now there aren't enough scientists to meet requirements of industry, government laboratories, universities, or the military.

Dr. Henry D. Smythe, chairman of the department of physics at Princeton and author of the Smythe report on the atom bomb, gave this example of what the war did to training of scientists: In the last few months, he has been asked to recommend physicists for 50 jobs; he had only four candidates to offer. This bears out statistics, he contended, that there are 40,000 fewer trained men available for scientific careers than there would have been if there had been no war.

• **Auxiliary**—The scientists recommended that a scientific board be set up as an auxiliary to the regular draft framework. Its job: to pass on the drafting of scientific students and professionals.

To date, neither Senate nor House committee has adopted any special rules for scientists. Both are taking an approach that is broader than former legislation. But the committee language will probably leave to the Director of Selective Service the power to make exemptions.

• **Broad Language**—The House measure has this language: "The President is authorized . . . to provide for the deferment from service . . . of any or all categories of persons whose employment in industry, agriculture, or other occupations or employment . . . or whose activity in study, research, or other endeavors is found to be necessary to the maintenance of the national health, safety, or interest." Deferments would be awarded only on an individual basis.

The Senate committee is not writing in that much detail. Chairman Chan Gurney says that his bill will have a preamble of policy on handling scientific groups. The director would then decide in what way the policy would be carried out.

Neither proposal satisfies the groups representing scientists.

New Heart Attack

Cleveland businessmen open new battle against heart disease. Will concentrate on research in two major ailments.

Cleveland businessmen have opened up a new front in the battle against heart disease—No. 1 occupational hazard of company executives. Their task force is the American Foundation for High Blood Pressure. Formed in 1945, the foundation held its second annual meeting last week, got the opening moves of its campaign under way.

• **Second Front**—The Cleveland group isn't the first to tackle an enemy that causes an estimated loss in productivity of $1.2-billion each year. The American Heart Assn. (BW—Jul.12'47,p21) is already in the field.

So far, efforts of the Heart Assn. to sign up the Cleveland foundation as a member have failed. But officials of both groups deny that there will be any rivalry. Many of the foundation's medical council belong to the Heart Assn.

• **Aims**—The foundation will concentrate on high blood pressure (hypertension) and hardening of the arteries (arteriosclerosis). The Heart Assn. deals with these diseases but it also takes in rheumatic fever.

Foundation funds will aid medical schools and other organizations engaged in research on blood pressure and the arteries. The Heart Assn. helps research in all heart ailments; in addition, it promotes public and scientific education, gives aid to health authorities.

• **Origin**—Without naming any names, the Cleveland group took up the fight against hypertension and arteriosclerosis because "other organizations were not as active in this field" as they might be.

The foundation drive has a sentimental background. Alva Bradley, Cleveland financier, created the organization. His interest stemmed from the fact that his brother, Charles, died of high blood pressure.

• **The Bosses**—Bradley is the foundation's chairman. Other officers: vice-chairman, W. H. Gerhausern, president of American Ship Building Co.; secretary, Leigh Willard, president of Interlake Iron Corp.; treasurer, I. F. Freiberger, chairman of Cleveland Trust Co.

The 31-man medical advisory council is headed by Dr. Irvine H. Page, director of research of the Cleveland Clinic and one of the world's top heart specialists. Foundation officials will establish local committees in 21 key cities.

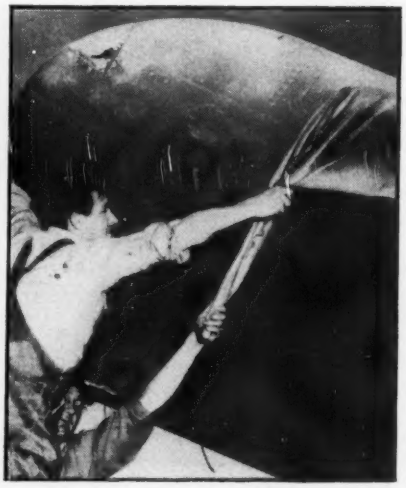
• **Finances**—The Cleveland foundation starts with a modest $75,000. It is up to its board of 18 trustees to build up a real war chest. They will swing plenty of weight, since the membership reads like an industrial and professional Blue Book of northern Ohio. The trustees have squared off for personal solicitation of funds. A former ceiling of $5,000 per donor has been removed.

Next year's goal is $1-million. Thereafter the foundation expects to collect $2-million annually until the mystery of the two heart ailments is licked.

Officials of the American Heart Assn. will watch the campaign with interest. Unlike the crusaders against tuberculosis and polio, the heart people have not perfected a solicitation device with a powerful emotional pull. Thus the Heart Assn. (national) collected only $250,000 this year—exclusive of the $1.5-million windfall dropped in its lap by the radio Walking Man riddle. Local chapters have collected perhaps another $1-million for their own use.

• **Projects**—Research projects to be backed by the Foundation for High Blood Pressure will be chosen by an allocation committee.

Medical men haven't isolated the cause of hypertension but they no longer blame it on age or work strain. They say that arterial disorder is a disease. Mental stresses are classed as contributory factors. To be explored are the effects of diet, geography, heredity, pregnancy, emotional disorders, impact of other diseases. The foundation hopes to determine whether salt contributes to hypertension. It will also promote basic studies in the chemistry of blood substances.



B-29 SHEDS COCOON

Air Force inspectors are looking into their cocooned planes. At Robins Air Force Base in Georgia last week, they stripped the protective coating from this B-29 to see what had happened to the plane in the two years it has been in wraps. After a thorough looking over, they announced that no serious corrosion had taken place. The plane could be ready to fly on short order.

The G.O.P. Race

Lineup of delegates now chosen gives no candidate the needed 548 votes for nomination on first ballot.

How do the major Republican presidential candidates stand today? You can get a pretty good idea from the lineup of the delegates already chosen—since only 266 more have to be picked to complete the convention total of 1,094.

• **Dewey Leads**—Today, Gov. Thomas E. Dewey, the 1944 G.O.P. candidate, is in the lead. But the most optimistic claims made for him fall far short of the majority of 548 delegates needed for nomination. Harold E. Stassen is second, with Sen. Robert A. Taft a close third.

What it all boils down to is this: The Philadelphia convention, which meets on June 21, will have to cast more than one ballot to get a winner.

• **The Figures**—Business Week's Washington bureau has compiled figures to show current standings. They take into account the estimates of the political experts and conflicting claims of the campaign headquarters. Here is the picture now:

Dewey	165
Stassen	129
Taft	114
Favorite sons	299
Undecided	121

If you accept at face value the claims made for the three leading candidates, here is what you would come up with:

Dewey	297
Stassen	192
Taft	176

• **Short of 548**—Remember, those figures are arrived at only from assessing the 828 delegates already picked. If you wanted to speculate on how much strength each candidate will have on the first ballot at Philadelphia, you could come up with much higher totals—yet still short of the magic 548. For instance, Dewey people predict that their man will poll around 350 votes on the first ballot. Stassen says he'll get 340. Taft is expecting more than 275.

From what groups do the candidates get the support to make the claims they circulate?

• **Home States First**—The hard core comes from their own home states. That source alone gives Dewey a jump on the rest—he starts out with New York's 97 delegates. Stassen began with Minnesota's 25, and Taft has 44 of Ohio's 53. (Stassen ignored tradition by contesting Taft's candidacy in Ohio last Tuesday. He won eight delegates out of

SINCLAIR *reports progress*

$48,776,125 ($4.07 per share) Earned by Corporation in 1947 — Annual Report to Stockholders Shows Five-year Record of Operations — Many New Highs Established — Sales Exceed $1,000,000 Daily

THE Annual Report of Sinclair Oil Corporation for the year ending December 31, 1947, shows net earnings for the year amounting to $48,776,125, or $4.07 per share. This compares with net income of $27,607,645, or $2.30 per share in 1946.

Gross operating income increased from $376,535,298 in 1946 to $487,244,609 last year. Increased costs are reflected in the rise of operating and general expenses from $310,473,052 in 1946 to $391,081,461 in 1947. Notwithstanding this fact, it is noted in the report that the percentage of net to gross income shows a substantial increase.

Earned surplus at the end of the year was $118,974,711, an increase in the past five years of $86,574,748.

Current assets at the close of 1947 were $263,519,115. Current liabilities stood at $89,540,621.

Cash and Government securities totaled $146,438,288. This figure represents an increase of $29,347,414 over the total of these items at the close of 1946.

Dividends were paid at the regular quarterly rate of 25 cents per share. In addition, at the end of the year an extra dividend was declared, payable in February, 1948. A second extra dividend has since been declared payable May 15 of this year.

According to the report, Sinclair is currently producing approximately 130,000 barrels per day of the throughput of its refineries. This total includes gross domestic crude oil production, Venezuelan production and domestic casinghead gasoline in terms of its crude equivalent. A large number of important oil reserves developed during the year in several areas of Texas, southern Oklahoma, Wyoming and Louisiana, are reviewed.

The report presents the "vital statistics" of operations and finances in tabular form covering the past five years. Two of these tables are reproduced here.

GROSS OPERATING AND NET INCOME

	GROSS	NET
1947	$487,244,609	$48,776,125
1946	376,535,298	27,607,645
1945	406,310,169	15,644,749*
1944	410,359,908	27,367,794
1943	326,899,073	23,083,709

**After deduction of extraordinary adjustments.*

DOMESTIC CRUDE OIL NET PRODUCTION

1947	28,884,694	bbls.
1946	26,825,122	"
1945	27,570,574	"
1944	27,354,222	"
1943	26,255,160	"

NOTE: In addition to the above production, an 86%-owned subsidiary of the Corporation produced 7,546,781 barrels of crude oil in Venezuela in 1947.

Copies of the report may be obtained by addressing the Secretary, 630 Fifth Avenue, New York 20, N. Y.

SINCLAIR OIL
CORPORATION
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23 candidates he put in the primary race.)

Second source of support comes from states in which elections were held to select delegates. By that route Dewey picked up six delegates in New Hampshire and one in Nebraska. But Stassen was far more successful. Starting with two delegates in New Hampshire, he picked up 19 in Wisconsin and 13 in Nebraska. With the eight more delegates from Ohio in his camp, Stassen moves into the last important primary before the convention—the Oregon election on May 21—predicting that he'll defeat Dewey again and win that state's 12 votes.

• **Other Support**—Here's another way to get support: In some states, delegates selected by convention either are pledged, or commit themselves to a particular candidate. For instance, Oklahoma Republicans lined up 19 for Dewey and one for Taft.

But a majority of the 828 selected so far were named as so-called uninstructed delegates. That means that they are free to vote as they please in Philadelphia. However, many of them have already indicated their preference.

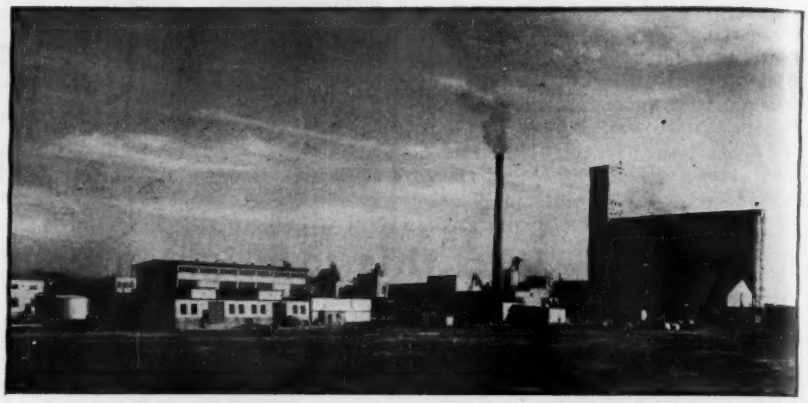
• **Ballots to Watch**—So the ballots to watch are the second and third. It's a political axiom that the man who goes on to win must pick up votes with each succeeding roll call; he can't afford to fade the way Dewey faded steadily in 1940 after going out in front at the start. That's the reason Dewey and the rest will keep some sure-thing support in reserve.

Also, the behind-the-scenes dickering starts showing up after the first ballot. The favorite sons—like Gov. Green of Illinois, Sen. Saltonstall of Massachusetts, Sen. Martin of Pennsylvania—will begin to show their hands. Which leader is their second choice? Taft should be able to count on Green's 53 votes; Dewey might come up with Indiana's 29 which will go first to Rep. Charles Halleck; Stassen thinks he's nailed down two or three favorite sons.

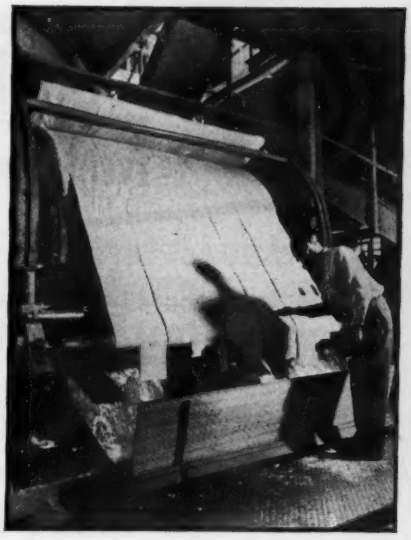
• **Pennsylvania Plum**—The biggest plum among the favorite-son vote is Pennsylvania's 73 for Sen. Martin. No one of the three leading candidates now claims that state's second ballot support. In fact, Pennsylvania delegates won't decide until they caucus between each ballot. But Sen. Arthur Vandenberg, who'll start out with Michigan's 41 favorite-son delegates, is the odds-on bet to get Pennsylvania's backing on one ballot at least.

Next to Sen. Martin, California's Gov. Earl Warren is the most important object of political courtship. But he's a candidate in his own right, and when and if he swings behind another candidate with his state's 53 votes he'll take much of the western delegate strength with him.

DIVERSIFICATION



FROM THIS PLANT of Drackett Co. at Sharonville, Ohio, flow . . .



SOYBEAN PROTEIN (curd after filtering) and other soybean products, plus . . .

PLASTICS MATERIALS, whose ingredients are mixed in this machine as a first step

Drackett's Stake in Soybeans

Ohio household-chemical manufacturers' bean and plastics operations grow by leaps and bounds. Diversification products now account for 81% of the company's increasing sales. Profits up, too.

At the vast, modern Sharonville (Ohio) soybean extraction plant of Drackett Co., production churned away this week at full speed. On a three-shift, 24-hour, seven-day week schedule, the plant was turning out a whole gamut of plastics and industrial protein products. And they were all the outcome of a hunch.

• **The Idea**—One bright morning 14 years ago, the late Harry Drackett, president of Drackett Co., Cincinnati, called in his top brass for a meeting. He told them that he thought it was high time the company looked into soybeans. He conceded that for a company that had long confined itself to a line of household chemical products (Drano, Windex) the idea might seem far fetched.

But he reasoned that diversity could help even out the somewhat seasonal nature of the household products business; sales spurt in the spring because of housecleaning. (Diversity also was a big help to Drackett in the war, when shortages of raw materials and containers cut down Drano and Windex output.) So Harry Drackett started the ball rolling.

Last week trade got a reminder of the extent of the diversity of products that has grown out of his hunch. Roger

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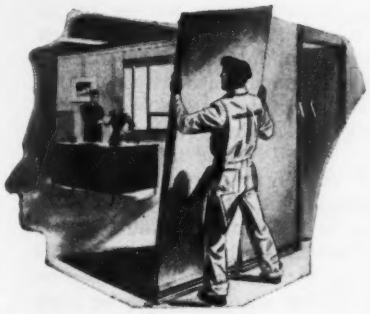

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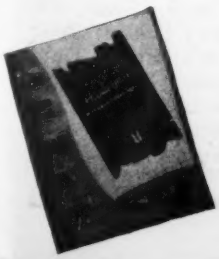

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Drackett, the company's present head (and son of the late president), announced a brand new sales department. It will handle nothing but the company's diversification products—which in 1947 accounted for 81% of the company's zooming gross sales.

• **What It Makes**—Among the products that the company now markets are:

AN INDUSTRIAL PROTEIN extracted from soybeans, which it calls Ortho Protein. The product acts as an emulsifier, an adhesive, and a dispersion agent. It is used in paper coatings, plywood, textile finishes, and as a base for water-mixed paints.

A SOYBEAN MEAL sold to feed mixers.

PHOSPHATIDES extracted from soybean oil. These are sold to manufacturers of lecithin, a product used in at least 25 types of food, medicinal, cosmetic, agricultural, and industrial products.

SOYBEAN OIL, with phosphatides removed, which is sold to manufacturers of shortening and salad dressings.

• **History**—Drackett Co. was organized in 1910 as a partnership. P. W. Drackett, grandfather of the present president, headed up the firm. Its original business was distributing a line of bulk chemicals to industrial users.

In 1915 the company was incorporated as P. W. Drackett & Sons Co. Later it began making its own chemicals, principally epsom salts and lye. By 1922 it had changed its name to Drackett Chemical Co. and had practically discontinued selling chemicals of other manufacturers. In 1933 the company adopted its present name.

The company began putting up its soybean extraction plant in 1939. When the plant went into operation in 1941 it had an annual capacity of 35,000 tons of soybean meal and 15-million lb. of soybean oil. Today, annual production is 105,000 tons of meal and more than 45-million lb. of soybean oil.

• **Finances**—Drackett's entry into the soybean field did not turn out to be a cheap financial venture. During the first two years the company lost money on it. And it has since proved to be a job that could not be financed solely out of earnings. Since June, 1944, the company has poured over $4-million into its soybean operations.

The company's first step on this road was selling $1¼-million of new 5% debentures, plus $800,000 worth of new $1-par stock. In 1946 Drackett had to borrow an additional $2¼-million. Metropolitan Life Insurance Co. put up $1¾-million of this on a 15-year, 3% term loan. New York's Bankers Trust Co. and Cincinnati's Fifth Third Union Trust Co. loaned Drackett the rest on 2%, 5-year serial notes.

• **New Issue**—Drackett also worked up a third piece of financing in 1946;

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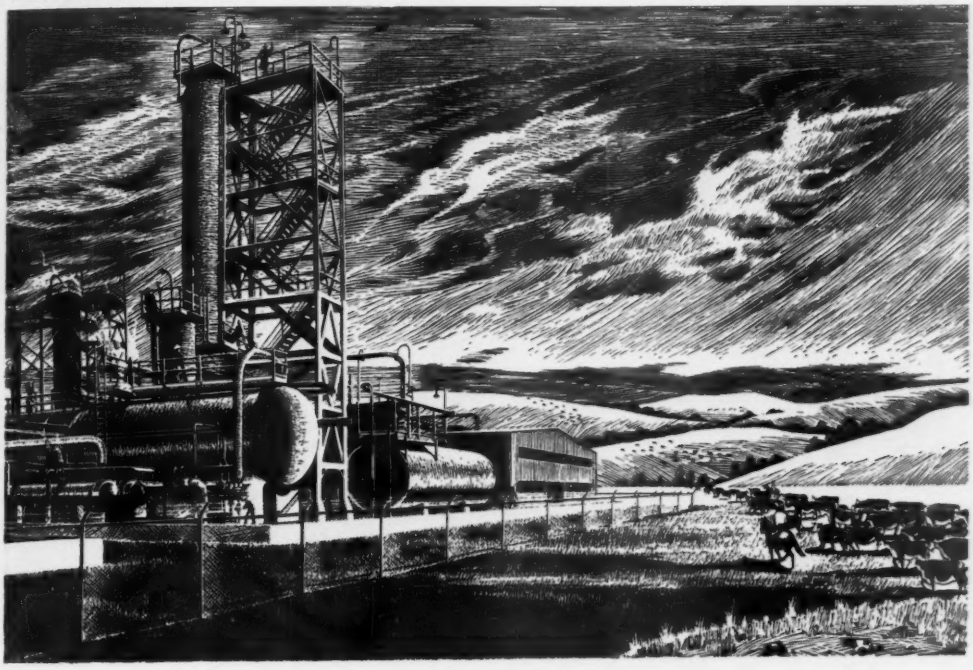
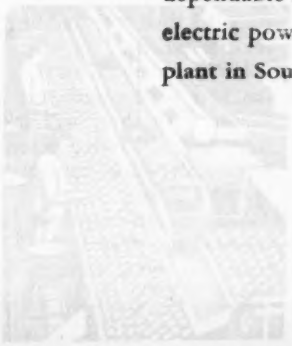


There's a balanced economy in South Texas that can mean profits for your industry there. Agriculture still rules supreme in South Texas, but its products are flowing ever faster into processing plants to accelerate the swift industrial development of the entire area. The products of agriculture, combined with the bounteous mineral deposits of this amazing agri-industrial area, offer opportunity unlimited to new and expanding industries. Deep-water port facilities open the gateway to the markets of the world, and natural gas reserves unsurpassed anywhere assure dependable fuel supplies and abundant gas-produced electric power. There's a location for *your* new plant in South Texas.



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This ad is one of a series on the industrial advantages of the various sections of the "Gulf South," the area served by United Gas.

taking advantage of the then-active market for new issues in Wall Street, Drackett sold 108,000 shares of new 4% $25-par preferred. The proceeds (some $2.6-million) went to pay off the 5% debentures of 1944, as well as some of the company's 5% preferred still outstanding.

Thus far, all this financing seems to have paid off. In 1943, the company's total sales (household products plus soybean products) came to only $5.8-million. By 1946, total sales had zoomed to well over $16.2-million, with soybean products accounting for 71% of the gross. In 1947 total sales rocketed to $22.7-million.

Profits have also kept pace. In 1943 the company earned $326,000. By 1946, earnings had risen to $614,000. Last year they were just under $1-million.

• **Working Capital**—Despite all the new cash poured into the company's fixed assets, finances have stayed in good shape. In September, 1947, Drackett's assets totaled some $9-million, including plants valued at over $5-million. The company's working capital, at $2½-million, was $500,000 higher than is required under the terms of the outstanding loans to allow continued payment of dividends. Stockholders last fall had an equity in the business of some $5.7-million, compared with $5.2-million in September, 1946.

Dividends have kept up pretty well, too. On the common stock, which was split two-for-one in 1946, dividends have been paid for many years without a break. In 1947 they came to 60¢ a share. Before that (after adjusting for the splitup) dividends were: 1946, 35¢; 1945, 30¢; 1944, 12½¢.

• **Research**—Drackett's diversification route has had a few rough spots, productionwise. A textile fiber, Drackett Azlon, fared rather badly. Harry Drackett said it "did not meet the higher quality standards of the textile industry . . . We, therefore, reduced our product to an experimental level."

Drackett has a laboratory crew of 50 who are constantly searching for soybean products revolutionary enough to meet stiff marketing competition. Two years ago the company went into the production of phenolic molding compounds. Today production of plastics continues to expand at the Sharonville plant.

• **Competition**—Among other soybean-based products that the company has come up with are: a film similar to cellophane, a water-mixed paint with a soybean oil base, and a tasty cereal.

But none of these three has got beyond the laboratory stage. Here are the reasons that the company has decided not to press, for example, its paint: Officials know that if they tried to market it they would be up against stiff competition from old-line paint companies who can offer a big variety of all types of paint. Besides, Drackett has good customers in the paint business. And it can always stimulate a demand for soybean products by passing developments on to interested companies.

FOUNDER'S GRANDSON, Roger Drackett, succeeded his father as president

• **New Product**—But Drackett still will grab at a new product that fits into its plans. Take Garbex, which it added about a year ago. This is a preserving agent intended to prevent garbage odor in hot weather. It's now being sold in test cities; Drackett plans to spread distribution in 1948.

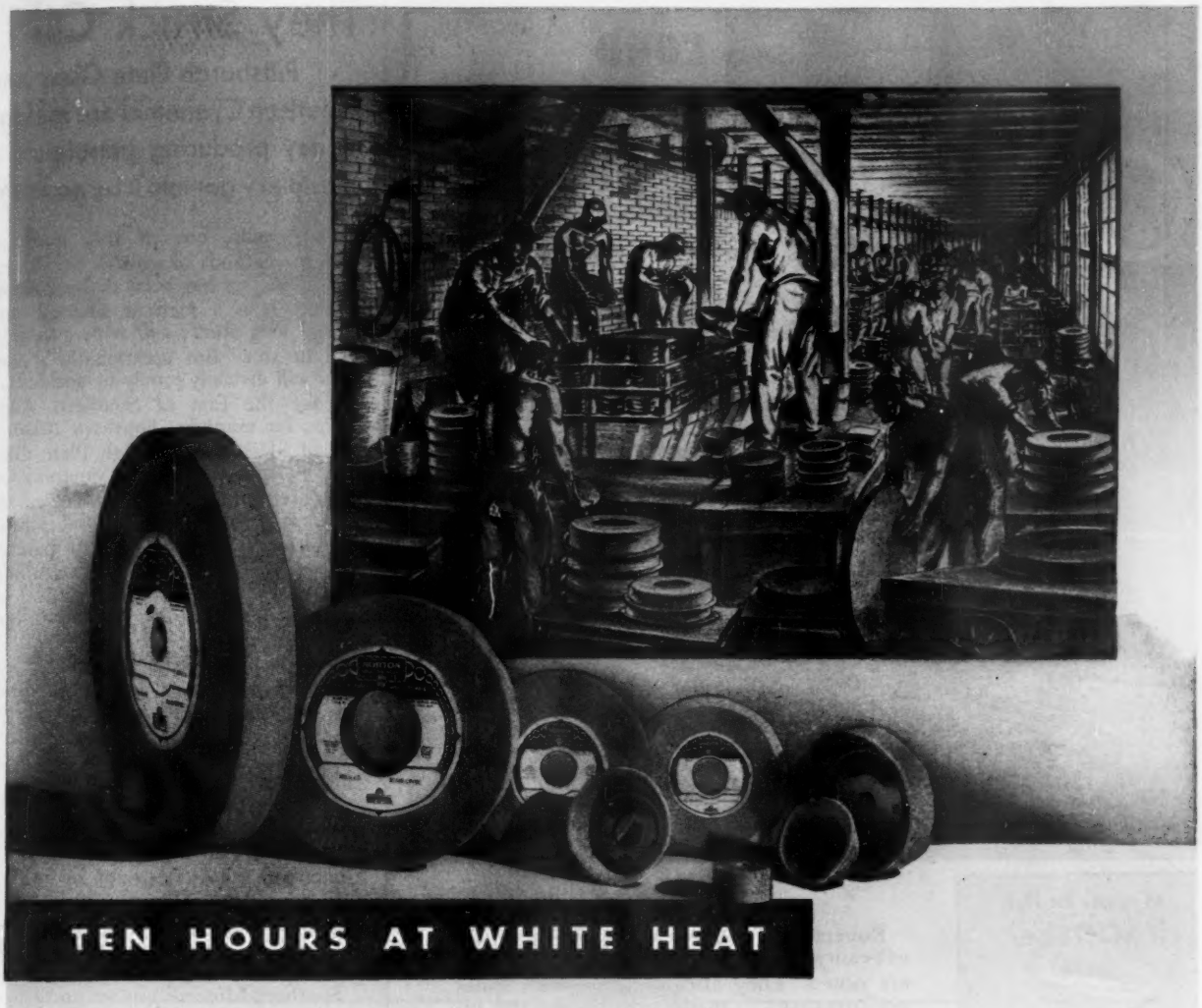
SHOTGUN WEDDING

Some orchardists in the state of Washington are giving the sex life of their apple trees the shotgun treatment this spring in case the bees and the wind don't do their duty.

The farmer loads a 12-gage shotgun with a special shell containing pollen and a carrier, steps to the windward side of a tree, aims at the upper branches, fires. He has just accomplished what is known as shot-shell pollination with Mill-O-Ized pollen (patent pending). The technique was developed by L. J. Farley of Wapato, Wash. Remington Arms Co. has come up with a special shell and wadding with a low-velocity powder.

Each shot shell contains 1/50 oz. of standard pollen, gathered in the apple region. Five shots will take care of a large tree, delivering more pollen—and much faster—than hand application, the inventor claims.

The shotgun method has been developed and tested in the past three years. This year, capacity production is about 100,000 shells. They will go to orchardists in California, Michigan, and New York.



TEN HOURS AT WHITE HEAT

HERE you see skilled Norton workers loading cars of grinding wheels for a five-day trip through one of the Norton tunnel kilns. For about 30 hours the wheels will be in the "hot zone"—a third of this time at white heat (2200°F.). This making of vitrified bonded grinding wheels is a process which requires extreme skill. The clay bonds are carefully blended to formulas developed by the Norton laboratories. The wheels are so located on the cars that each receives just the right amount of heat. Temperatures are scientifically controlled every foot of the way through the long kilns. Yes, Norton grinding wheels are "burned" with the most modern equipment and with a "know-how" that is backed by over sixty years' experience in producing vitrified products.

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They Struck Oil

Pittsburgh Plate Glass and American Cyanamid are making money producing petroleum; a subsidiary got into it by accident.

Historically, one of the most important methods of growth for American businesses has been diversification. Usually it is a method adopted only after a long study, and with a definite goal in view. But occasionally a company will diversify purely by accident.

Take the case of Southern Alkali Corp., for example. Southern Alkali is owned 51% by Pittsburgh Plate Glass Co., 49% by American Cyanamid Co. It was set up in 1931 to produce caustic soda, soda ash, chlorine, and similar chemical raw materials for its parents. Today its younger brother, Southern Minerals Corp., is making a lot of money out of petroleum. Here's how it happened:

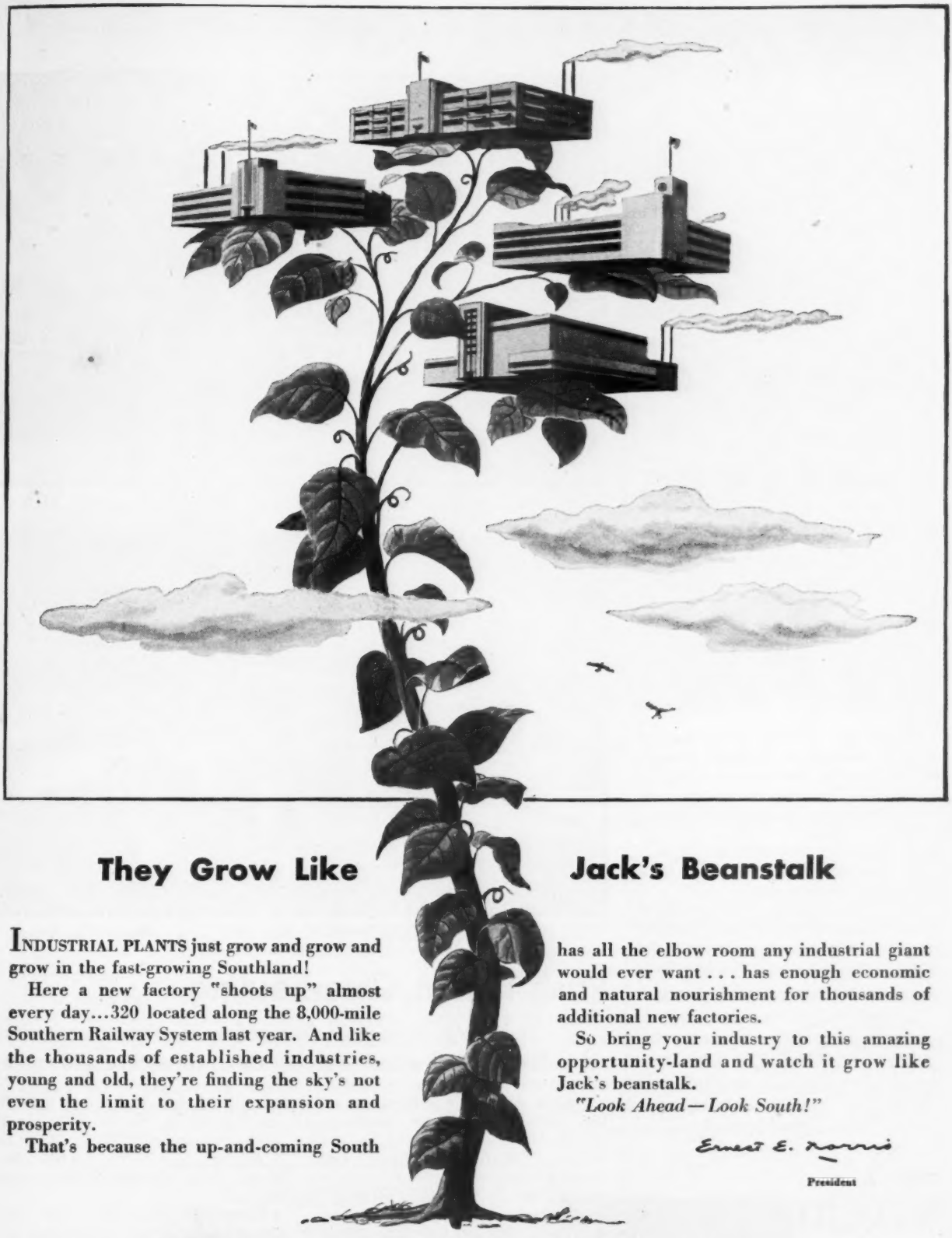
• **Step by Step**—Pittsburgh Plate and American Cyanamid decided to establish their chemical baby in Corpus Christi, Tex. One of the principal reasons was the availability of cheap natural gas for fuel.

At that time, the vast East Texas oil field had just been discovered; the price of crude oil had been driven down to around 10¢ a bbl. Leases on oil and gas properties were going for a song. So Southern Alkali decided that, instead of buying natural gas, it would take over gas properties and produce its own.

Southern Minerals was set up to handle this end. It's owned partly by Southern Alkali, partly by the two parents in the same 51-49 ratio. Its officers were canny enough to see that their gas leases included oil rights. And in 1933 they hit oil.

• **Expansion**—Original policy was to keep petroleum activities within 100 mi. of the Corpus Christi chemical plant. But that limitation was soon removed; Southern Minerals now controls some 175,000 acres of oil and gas lands. Another subsidiary of Southern Alkali, Southern Pipe Line Corp., transports petroleum both for Southern Minerals and for outside companies. Last year, its pipelines handled 13-million bbl.

In 1947 Southern Minerals produced 4.8-million bbl. of crude oil. That's about ¼ of 1% of the total U. S. output. Many of the smaller oil companies whose entire business is petroleum don't turn out any more than that—yet this is only a sideline for Pittsburgh Plate and American Cyanamid. Net income of Southern Minerals last year came to about $5.5-million; the total investment of the two parents is only $2.5-million altogether.



They Grow Like Jack's Beanstalk

INDUSTRIAL PLANTS just grow and grow and grow in the fast-growing Southland!

Here a new factory "shoots up" almost every day...320 located along the 8,000-mile Southern Railway System last year. And like the thousands of established industries, young and old, they're finding the sky's not even the limit to their expansion and prosperity.

That's because the up-and-coming South has all the elbow room any industrial giant would ever want . . . has enough economic and natural nourishment for thousands of additional new factories.

So bring your industry to this amazing opportunity-land and watch it grow like Jack's beanstalk.

"Look Ahead—Look South!"

Ernest E. Norris

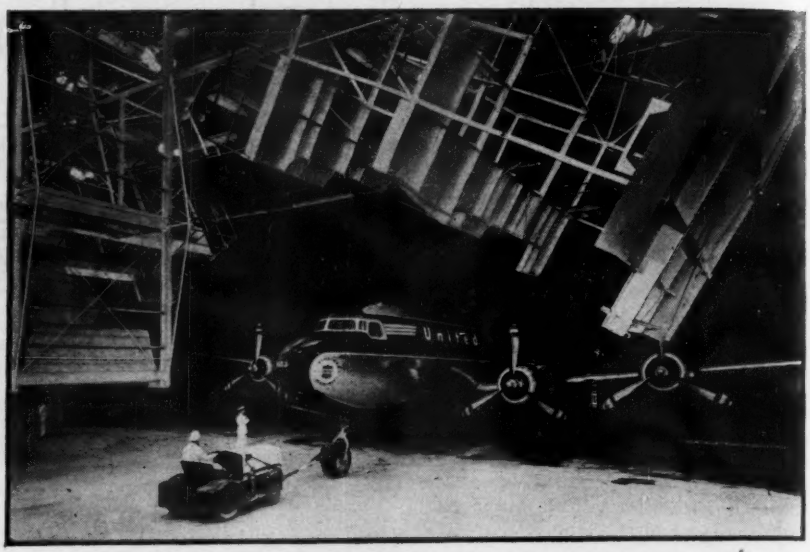
President

LOOK SOUTH LOOK AHEAD

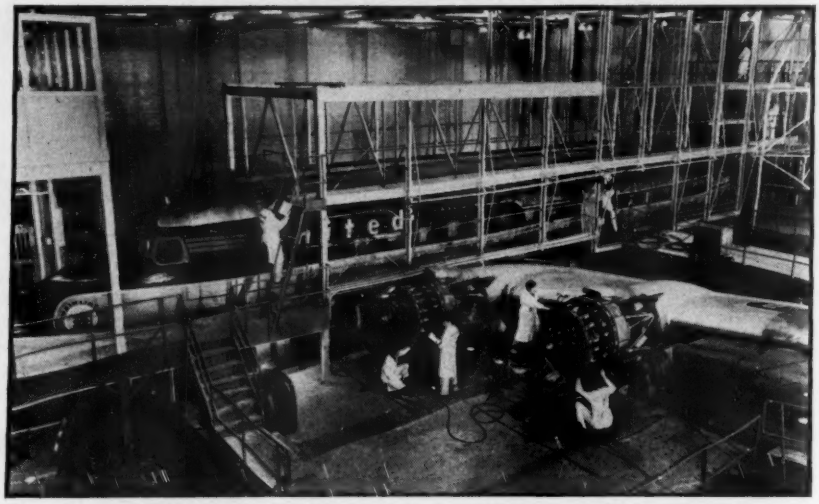
SOUTHERN RAILWAY SYSTEM

The Southern Serves the South

AVIATION



IN FOR OVERHAUL: A tractor pulls a DC-6 into the "push-button" dock where . . .



CATWALKS AND FRAMEWORK fit close along plane's sides and tail surfaces

Push Button Overhauling

United Air Lines' new dock at San Francisco makes virtual rebuilding of plane possible in four days, saves time and money.

One of the biggest money-burners in the airline business is overhauling planes. It costs an airline $2,800 a day to keep a DC-6 on the ground. And a complete overhaul—necessary every few months—usually grounds the ship for five days.

• **United's Answer**—Last week United Air Lines made public its answer to the problem. In a unique "push-button" dock at its new San Francisco maintenance base, United can practically rebuild one of its mainliners in four days.

The dock is only one phase of the huge new base, which covers 116 acres, has 700,000 sq. ft. of buildings. The latter, two-and-a-half story jobs, have a frontage of 650 ft., contain offices, shops, docks, overhaul hangars, engine test cells.

• **How It Works**—Here is how a DC-6 is overhauled in the push-button dock, the most spectacular feature of the new base:

When the plane is towed up to the giant hangar, an electric motor raises the 25-ton steel door in 15 seconds. Then the plane is towed into the hangar

FIBERGLAS*

. . . helps these "delivery boys" perform better

Ducts, such as you see in this picture, serve as "delivery boys" for large heating and air conditioning systems, delivering cooled or heated air wherever it's needed. To get this air to the outlets with a minimum of temperature change requires *good* insulation.

In more and more plants and other buildings you will find that ducts are being insulated with Fiberglas. For this highly efficient insulation helps keep air distribution costs at rock bottom. In addition, Fiberglas duct insulation materials are firesafe—will not rot, decay or corrode metals—are easy to apply.

The high thermal insulating efficiency of Fiberglas results from the countless tiny air spaces enclosed in a lightweight blanket of long, fine fibers of glass.

This basic material is further processed into a variety of forms—semi-rigid boards and metal mesh blankets, for example—to meet every industrial need for thermal insulating materials in a temperature range from sub-zero to 1000°F.

Get all the facts about Fiberglas thermal insulating materials now. Write Owens-Corning Fiberglas Corporation, Dept. 803, Toledo 1, Ohio. Branches in principal cities.

In Canada: Fiberglas Canada Ltd., Toronto, Ontario

OWENS-CORNING
FIBERGLAS
THERMAL INSULATING MATERIALS

*FIBERGLAS is the trade-mark (Reg. U. S. Pat. Off.) for a variety of products made of or with glass fibers by Owens-Corning Fiberglas Corporation.

(picture, page 38) until its nose fits snugley into the dock's forward platform. Hydraulic jacks lift the plane a few inches off the floor.

From a metal framework on either side of the plane, catwalks are lowered (picture, page 38). From the ceiling, a giant metal framework drops to fit close around the tail assembly. Finally, a hydraulically operated ramp comes up from the floor to connect with catwalks at the level of the main cabin door.

• **The Overhaul**—All this takes less than 10 minutes. Within that time, some 50 workers are swarming over the craft. Lights in the floor plus more than 220 ceiling lamps flood the plane.

As mechanics unfasten connections, electric-hoist operators prepare to lift the four engines off their mounts; cabin maintenance crews remove all chairs, wall upholstery, and carpets, etc. Maintenance men go over every inch of the plane, inside and out, repair or replace faulty parts. Even the insignia are removed and fresh ones painted on.

• **Engine Treatment**—Meanwhile, dollies move the engines to a huge powerplant department. Here the motors are steamed to take off grease and dirt, then disassembled. Parts are strung along a 1,280-ft. overhead chain conveyor (picture, below). Traveling at a rate of a few inches a minute, the engine parts move along the chain, through a 160-ft. hairpin-shaped engine washer tank. Here 30,000 gal. of a strong detergent clean every piece.

Finally, the cylinders and other parts are tested for flaws, and for changes in size down to 10,000ths of an inch.

After the overhaul, the plane is taken on a four-hour test flight. Flight technicians check the radio, instrument, and electric equipment that has gone through their shops.

CONVEYOR carries disassembled engine parts to washer tank for cleaning

AN INVITATION TO BUSINESSMEN *on behalf of producers of the world's goods, from*

ALGERIA
AUSTRALIA
BAHAMAS
BRAZIL
CANADA
CENTRAL AMERICA
CHINA
COLOMBIA
CYPRUS
CZECHOSLOVAKIA
FRANCE
GREECE
INDIA
ITALY
JAVA
MALAYA
MEXICO
THE NETHERLANDS
NEW ZEALAND
NORWAY
PALESTINE
PORTUGAL
SOUTH AFRICA
SWEDEN
SWITZERLAND
UNITED KINGDOM
and the
UNITED STATES

We invite you to the

CANADIAN INTERNATIONAL TRADE FAIR

MAY 31 TO JUNE 12, 1948 - TORONTO, ONTARIO

... and we think you'll profit by coming

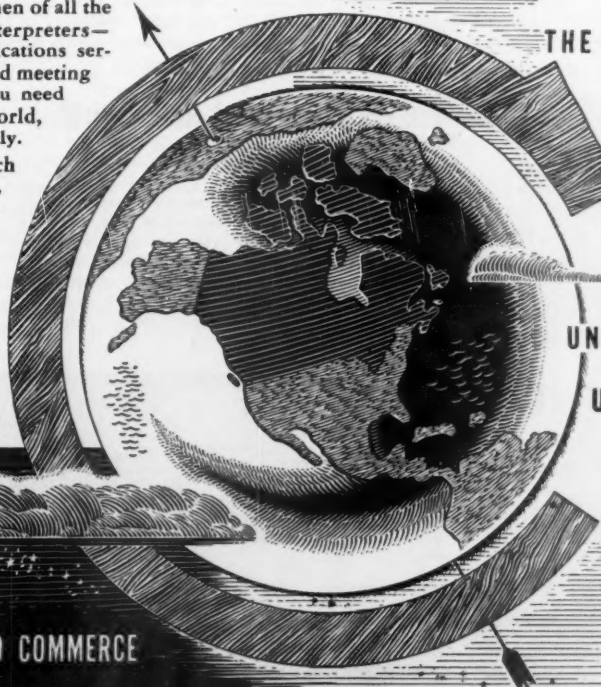
This will be the first International Trade Fair ever to be held in North America. It is sponsored by the Government of Canada, which cordially invites United States businessmen to attend.

It will be devoted entirely to business. The general public will not be admitted. Every exhibit has been accepted on the condition that the goods displayed are for sale and can be delivered within a reasonable time. Transactions can be completed on the spot.

The products of more than 25 countries will be on display, and buyers will come from every quarter of the globe. For the period of this fair, Toronto will be a world market-place—the sample room of the world on your doorstep—within a convenient day's journey from any city in the United States.

Canada will be the host—but the fair will belong to the traders and businessmen of all the nations. There will be interpreters—special cable and communications services—private restaurants and meeting rooms—all the facilities you need to do business with all the world, comfortably and conveniently.

Official invitations, which are required for admission, may be obtained on application to the Canadian International Trade Fair, Canadian National Exhibition Grounds, Toronto, Canada. Early requests will help to assure accommodation.



DEPARTMENT OF TRADE AND COMMERCE
OTTAWA CANADA

AUTOMOTIVE

Prices Up Again

Weather, production lag, war scare boost used-car prices from 5% to 20% in month. New cars will be higher, too.

Warm weather, new production problems, and the fear of war are boosting used-car prices well beyond seasonal expectations. Second-hand dealers, who were worried about inventories during February and March (BW—Mar.20'48, p19), have reaped large profits off them since that period.

• **Three Factors**—The upturn started in normal seasonal fashion, as soon as the weather began to warm up. It gathered headway with each front-page story of increased tension with Russia. Then the late April shutdown at General Motors, due to lack of steel, added greater momentum to the rising demand.

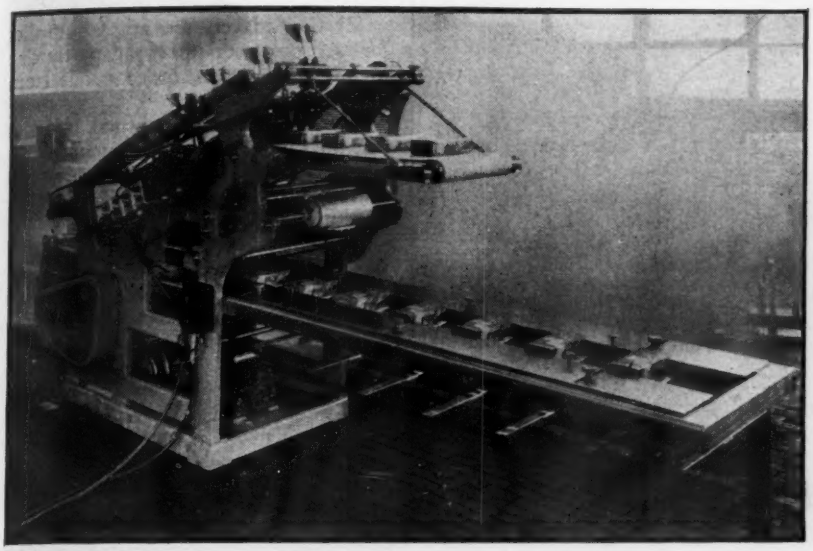
As a result, second-hand car prices today stand from 5% to 20% higher than at the beginning of April.

• **Change of Heart**—All this has treated the rows of used-car lots along Detroit's Livernois Ave. (The Wall Street of such trading) to an unusual spectacle of second guessing. A month ago buyers arrived from outlying districts, looked over wholesale prices, turned thumbs down on them, then went home with bankrolls intact. They figured that they could not pay the prices, absorb freight to their own lots, and make profits. Two weeks later many of these traders, the canniest in the business, realized the market was still good, returned to Detroit, and bought.

But actual car transactions do not seem to have gone up quite as much as prices. One reason may be financing. The finance companies, underwriters of a lot of used-car deals, remember the dullness and oozing prices of last winter. So now they are being picky about their risks, insisting on hefty down payments and fairly good credit ratings. This has probably cut the total market somewhat. But both the finance companies and the used-car dealers foresee a summer of uninterrupted good prices.

• **New Cars, Too**—Meanwhile, new-car prices are going up, too. Last week Mercury kicked off the trend. Its new six-passenger coupe, base-priced model of the line, lists at $1,855 as against last year's $1,540. That's equal to a Detroit-delivered figure of about $2,045. Biggest increase was on the Mercury station wagon—up $420 from $2,075 to $2,495.

MARKETING



HIGH-SPEED overwrapping machine, made by the Packaging Machinery Co., typifies new cost-cutting trends. Devices like these help . . .

Packaging Problems Ease

At its annual meeting in Cleveland, the packaging industry finds that materials are in better supply. Users are now looking for ways to cut costs, emphasize packaging that has sales appeal.

The $6.5-billion packaging machinery and materials industry, like many another, is talking about the return of the buyer's market for the first time since 1940. As a result, the stress at the American Management Assn.'s big packaging exhibit in Cleveland last week fell on two things: reduction of packaging costs and increased package sales appeal.

Just where the interest lies can be seen in the demand for new packaging machinery, which will cut distribution costs. Nowadays it takes from 60 to 90 days to get delivery on standard automatic packaging machines, longer for special machinery. Cost seems to be no deterrent. The price level of machinery used in the industry has zoomed on an average of 35% in the past two years, as much as 100% for specially designed machines.

• **Materials Supply**—As for materials, the situation has changed radically in a year's time. At last year's show suppliers could sell any package (BW—Apr. 19'47,p17). But at this year's 17th Packaging Conference & Exposition, buyers could be more selective. Here are the supply trends which showed up at the conference:

Textile bag demand has leveled off some. Supplies are up, unit prices slightly down. Buyers are purchasing for present needs; they are no longer building inventories.

Paper of all types is in better supply. New mills are rolling. And for the first time since before the war, folding cartons, paper bags, and other items—of improved quality—are being offered a bit competitively.

Collapsible lead tubes are in plentiful supply again. But a recent price rise may needle the use of aluminum tubes, a postwar development.

Lumber for crates, boxes, and other containers is available once again.

Glass shortages have eased some, too. One very good reason: Glass containers have lost some wartime gains. On the other hand, the glass industry has made big gains in the baby food industry and expects to do increased business with cosmetics—despite the inroads of plastics.

• **Tin Short**—The supply of tin is the sole exception to the general trend. Tin is short because of government stockpiling and increased postwar demand. The scarcity has reached such a point that last year's production of tin containers for beer and canned dog foods may be halved.

But even here there were some bright spots for tin can users:

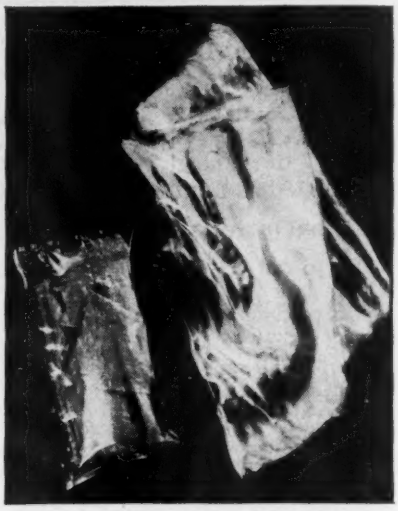
(1) By using electrolytic plating—a wartime development—can makers are

cutting the tin in some types of cans by 50%; further refinements of this method will spread the tin supply even further.

(2) Can makers see ample supplies for food processors this year, partly due to the carryover of canned goods from 1947.

• **Plastic Packaging**—As usual, plastics had their innings. Retail merchandisers were particularly interested in transparent plastic films, which today have a wide use besides packaging food. Furniture, home appliances, glassware, china, silverware (to prevent tarnishing), wearing apparel, cut flowers are some of the other items using the new plastic films.

• **Food Prepackaging**—The prepackagers of meats and other foods were there in force; so were the makers of transparent films. The food packagers had a number of questions to ask about the new packaging methods, which are still in a relatively young stage. They seemed to be in general agreement that no one



BACON NOW SHOWS UP vacuum-packed in Dow Chemical Co.'s Saran . . .

. . . COSMETICS in Celanese Corp.'s transparent plastic film Lumarith

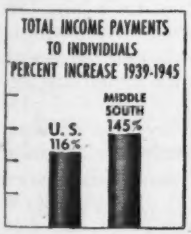
There's More Joy in Living in the MIDDLE SOUTH

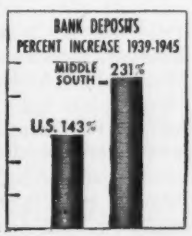
You can enjoy your best-loved outdoor sports all year round. Arkansas, Louisiana, and Mississippi have endless waterways for aquatic sports. This is a "happy hunting ground" and a fisherman's paradise. To make living more pleasant, folks are friendly, as you know. Population is 97% native-born—intelligent, adaptable, loyal workers.

Incomes UP— for Better Living

Income has grown faster in the Middle South than in the U. S. A. as a whole.

Here are charts that show this progress. Actually, they have deeper meaning. Wartime gains in the South are here to stay. Workers are profiting from new skills. Farmers are raising new crops, with modern methods and low-cost electricity to give greater yields.





Low-Cost Electricity— for Better Living

The four electric service companies (listed below) show how the American system provides the greatest benefits for the greatest number. These companies have brought electricity to more and more people—particularly in rural areas—and have steadily brought down the cost. They are closely integrated and interconnected to insure a constant supply of low-cost, dependable electricity—for profitable industry and commerce, progressive farming, and better living in the areas they serve.

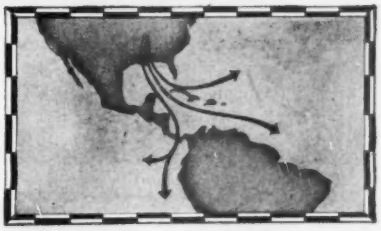
Prosperity Has a Broad Base

This table gives you an idea of the resource wealth in the *Middle South.*

54% of U. S. Rice	36% of U. S. Barite
10% of U. S. Salt	93% of U. S. Bauxite
25% of U. S. Sweet Potatoes	10% of U. S. Crude Petroleum
74% of U. S. Sugar Cane	12% of U. S. Natural Gas
34% of U. S. Cotton Seed	31% of U. S. Sulphur
70% of U. S. Tung Nuts	11% of U. S. Lumber

Gateway

from the world's richest valley
to the rest of the globe



For further information, write any of these electric service companies:

ARKANSAS POWER & LIGHT COMPANY
Pine Bluff, Ark.

LOUISIANA POWER & LIGHT COMPANY
New Orleans 14, La.

MISSISSIPPI POWER & LIGHT COMPANY
Jackson, Miss.

NEW ORLEANS PUBLIC SERVICE INC.
New Orleans 9, La.

THE MIDDLE SOUTH, A WORLD OF OPPORTUNITY

type of transparent film will do the job in food packaging. The requirements and the consumer-appeal for different foods are too varied.

• **Standard Machines**—There were a number of exhibits which pointed up the trend toward the use of standard, high-speed packaging machinery. These machines have special attachments to adapt them for different jobs. This is in keeping with the cost-cutting trend: Users want to eliminate as much as possible the high engineering costs involved in developing individual machines for particular jobs.

• **Shipping Losses**—A familiar problem to shippers and carriers—losses caused by breakage during transportation—was also hashed over at the conference. The problem, it was pointed out, has increased tremendously over the past five years. In that time claims against carriers for breakage have jumped about 500%. Suggested remedies: better crating and bracing of heavy durable goods; more care in loading cars; return to prewar standards in packaging.

NO WRINKLES in this seersucker, thanks to . . .

NEW FINISH FOR COTTONS

Superset is American Cyanamid Co.'s new resin-base finish for cottons. It makes them wrinkle-resistant, adds punch to sales talks for cotton garments.

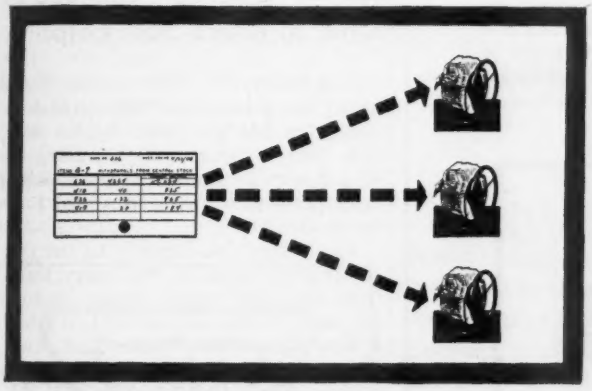
Unlike rayon, cotton for a long time could not be wrinkle-proofed without lowering tensile strength. Monsanto Chemical Co. broke the ice with its Resloom C last fall (BW—Sep.6'47,p43). American Cyanamid says that its Superset can be applied easily to all types of cotton fabrics by any mill; loss of strength and amount of shrinkage are negligible. Added cost factor: not more than 10¢ a yd., at most.

Forget about Manual Transcription!

NOW—you can record facts and figures
on ordinary translucent paper or cards—never type, draw or write them again

Figures "fly" wherever you want them. Net profit columns on these six translucent ledger sheets can be transferred to a composite Ozalid report without lifting a pen—in fraction of usual time.

Every file a "live" file when it contains translucent cards. You make additions in usual manner—produce as many up-to-date Ozalid copies as you wish, whenever needed. Seven 3 x 5 inch cards can be reproduced in a minute.



Repeat Posting Eliminated. You make your entries only once on a translucent master card . . . turn out required number of Ozalid prints for various departments or branches. Always 100% accuracy . . . time and labor saved.

She used to type . . . but now the desired number of extra copies can be made directly from this salesman's report. Each Ozalid print a positive (not negative) copy . . . produced in 25 seconds . . . at cost of only 1½ cents.

Ordinary Translucent Paper Serves as Your Ozalid Master

Anything you type, draw, write or print on ordinary translucent paper or card can be duplicated immediately—in whole or part—in the new Ozalid Streamliner.

Thus, you eliminate manual transcription . . . and proofreading—always considered a necessary and expensive operation.

A new booklet—"The Simplest Business System"—lists 116 job-by-job savings possible when you use translucents and Ozalid.

Write today for your free copy.

OZALID
A Division of
General Aniline & Film Corp.
Johnson City, New York

Gentlemen:
Please send free copy of "The Simplest Business System" . . . fully explaining use of translucent papers and new Ozalid Streamliner.

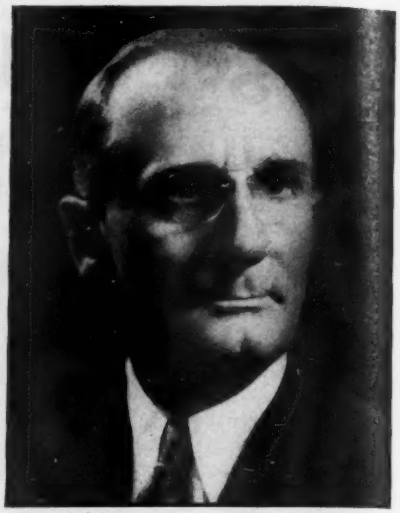
Name_____ Position_____

Company_____

Address_____

Dept. No. 86.

Ozalid in Canada—Hughes Owens Co., Ltd., Montreal



NEW PRESIDENT OF ARMCO: W. W. Sebald takes over the job vacated by the . . .

Selling a Name

American Rolling Mill Co.'s trademark became better known than its name. So it changed its name to Armco Steel Corp.

Commonly the public knows brand names and trademarks better than company titles. Many a Camel smoker probably isn't aware that he's puffing an R. J. Reynolds product; many a bather is the personal friend of Ivory, not Procter & Gamble.

Most often this happens in the consumer-goods field. In the heavy industries, especially those whose products are more or less custom built, it's rare.

• **New Boss, New Name**—Last week, the American Rolling Mill Co. was getting a new top command: W. W. Sebald (picture, above) succeeded Charles R. Hook (picture, page 51) as president, while the latter became chairman. At the same time it was in the process of getting used to a new name.

The old name was appropriate at the start, for the company had only a rolling-mill operation. But the company gradually developed into a full-fledged, integrated steel company. So its name could stand some broadening. And, since the trademark "Armco" had become so well known over the years, the new name selected was Armco Steel Corp.

For more than 30 of its nearly 50 years, American Rolling Mill has steadily and purposefully promoted its trademark. The company was founded in 1899 by George Verity. From the start, his idea was to produce quality and specialty steels. He had no choice but to charge a premium over the price

. . . NEW CHAIRMAN: Charles R. Hook, who had been president for 18 years

charged by other companies for ordinary steel.

• **Competition**—That soon led to trouble. And the trouble was redoubled after 1901, when the huge U. S. Steel Corp. was organized. Verity soon found himself battling for his business life.

To save that life, he decided that he had to justify his premium prices by letting everybody—customers and ultimate consumers alike—know that American Rolling Mill Steel was special steel. So an official trademark was designed, to appear on every piece of steel the company shipped. It was the now familiar triangle with the letters ARMCO superimposed:

ARMCO

• **Promotion**—In 1914 the company took a two-page ad in the Saturday Evening Post. In it, for the first time, American Rolling Mill explained and extolled the virtues of Armco steel to the general public. Since then, the name Armco has been consistently presented to the public—in general and business magazines, in newspapers, and, for a time, even over the radio. Total cost to the company so far has been in the neighborhood of $20-million.

After this educational and prestige-building campaign was well under way, Verity and his sales force decided to

carry it a step farther. They approached the fabricators and users of Armco steel, asked them to play up the word "Armco" in their own advertising copy. The angle: Since the fabricator was paying more for the steel he bought from American Rolling Mill and in turn was charging his customers more than if ordinary steel were used, the ultimate consumer was entitled to know why. Many of Armco's customers saw the logic of the argument; they have spent many millions of dollars promoting the Armco name over the years.

• **To Change or Not to Change?**—Before changing its name, American Rolling Mill thought the matter over carefully for a long time. There were many precedents for the move—although most of them were in consumer-goods fields. Hookless Fastener Co. had changed to Talon, Inc.; Green Bros. Co. to Tastyeast, Inc.; Syracuse Washing Machine Co. to Easy Washing Machine Co.; Edison General Electric Appliance Co. to Hotpoint, Inc.

American Rolling Mill still wasn't convinced. So it got an outside research agency to make an extensive study of

SELF-SERVICE HOT DOGS

Clinton H. Holt, a Denver engineer, got tired of buying baseball-game hot dogs covered with fingerprints and dust. So he figured out this automatic hot-dog dispenser. At the drop of two dimes, the machine delivers a warm-as-toast dog, plus a specially baked bun. They are wrapped separately in a container to keep the bread from getting soggy.

By this week, Dog-In-A-Kennel, Inc.—which Holt and some associates formed to market the device—was making 100 machines a week, distributing them in 16 states. The machine lacks at least one old hot-dog attraction: It has no mustard pot. The hot-dog filling, especially prepared by Armour & Co., comes ready-flavored.

the probable customer and public reaction to such a change. A major finding of this survey: Most of the public—and even a few immediate customers—had no idea what the words "Rolling Mill" in the company's name meant. A big segment of the public, in fact, associated rolling mills with food processors. Final verdict: Customers and public alike looked with favor on the move.

The gain to the company by way of making its trademark more valuable, plus the tongue-tip ease with which the new company name can be spoken, will more than offset the cost of making the change. No official estimate of that cost has yet been made.

More Liquor Licenses For Ohio Retailers?

Inflation has been squeezing state monopoly liquor stores. While overhead and rentals for desirable store locations have been steadily rising, liquor sales have dropped.

• **For Retailers**—Last week Ohio's Liquor Control Commission was considering applications from retail druggists, grocers and other merchants who want to carry liquor in their stores. This was the state's answer to a cost problem that is making it unprofitable to open new stores in desirable locations.

The state board has always permitted some retail stores to operate as agencies in Ohio. At one time there were 176, but by the end of 1947 the number had fallen to 34. This year, if the cost squeeze continues, the number of retail merchants selling liquor in the state might easily top the previous high figure. Reason: The commission is likely to feel that more monopoly stores and thus more deficits would be politically embarrassing. In recent weeks the commission has granted agencies to three retailers in Cincinnati, Columbus, and Buckeye Lake, a summer resort town.

• **Store Traffic Boost**—The agency gives the retailer a chance to build up store traffic, get added sales on his drugs or groceries. He must observe the same regulations in force for the state monopoly stores. He bears all sales costs except that of providing sales slips which are state forms.

Liquor is consigned to the individual merchant and replenished weekly. At the end of the month he gets a check from the liquor commission for 5% of his gross liquor sales. Commissions per agency ranged from $2,500 to $7,000 last year.

• **Better Liquor**—With regular retailers selling more and more liquor, Ohio consumers will get more well-known liquor brands. In the past, the state liquor commission has bought up huge quan-

tities of unknown brands, piled up big inventories because consumers would not buy the stuff (BW—Aug.9'47,p60). Retailers will demand popular brands that will bring people into their stores.

More to Sell

Aluminum Cooking Utensil adds cutlery line to its door-to-door sales stock. A.C.U. and Case will make it.

Back in 1941 aluminum began to go to war. Soon Aluminum Cooking Utensil Co., subsidiary of Aluminum Co. of America, found itself in danger of being stranded. What especially worried A.C.U. was that its army of trained door-to-door salesmen would go to pot without any to sell.

• **Sideline to Rescue**—Rather than let this happen, A.C.U. decided to take on new lines to replace the famed "Wear-Ever" aluminum. Silverware was first (BW—Sep.20'41,p31). It proved such a good seller that A.C.U. next tried glass. (Various trade observers believe A.C.U. eventually became the biggest silverware merchant in the United States; A.C.U. won't say.)

All in all, A.C.U. and its mammoth distribution setup rode out the war, powered with non-aluminum revenue.

• **New Line**—Today aluminum is available in civilian shapes again. But A.C.U. has no thought of dropping its profitable wartime discoveries. To the contrary, A.C.U. last week said it was even adding a new one—cutlery.

Heretofore, Alcoa got from somebody else the non-aluminum goods that A.C.U. marketed. But this time, Alcoa is getting in on the manufacture too.

The plan involves a new factory. Work has just begun on it, on a seven-acre tract in Olean, N. Y. The plant is scheduled to be finished in the latter part of this year, eventually will have 300 employees.

• **New Company**—Alcoa has a partner in the project—W. R. Case & Sons Cutlery Co., of Bradford, Pa. The new joint venture will be called Alcas Cutlery Corp. Details of ownership aren't made public.

The army of A.C.U. direct-to-home salesmen all over the U. S. will distribute Cutco cutlery. Along with it, they'll keep on selling silver and the cooking utensils that are the chief stock in trade (glass has been taken off the sales list).

Details of marketing the new line haven't been worked out yet. Prices will depend on costs, and those won't be known until the plant is in operation. All the company reveals is its new product will be in the high-grade class.

SALES AID FOR GROCERS

Manufacturers with a long string of drug products to sell have long utilized the color-splashed, multiple-brand vending stand. Now Lever Bros. has carried the technique over from the drug side of its business to the grocery side, where it has been little used. Behind the (six-in-one) stand—which pushes Lux, Lux Toilet Soap, Rinso, Spry, Lifebuoy, and Swan—stand two Lever vice-presidents: W. R. Veale (left), general manager; and W. W. McKee, who heads up sales.

BOX TOPS FOR EUROPE

Box tops are going to work for European relief.

Fisher Flouring Mills Co., Seattle, made this offer: For every waxed label from the top of a 2½-lb. box of Fisher's Biskit Mix, the company will donate 2½ lb. of wheat flour for European relief. The flour will go to accredited agencies for shipping and distribution. Fisher has placed no limit on its donation.

The offer's aim is to build goodwill and sales. First tested in the Seattle area, it brought such a warm response that the company extended it throughout its distribution area on the Pacific Coast. To promote the offer, the company bought a four-week daily newscast over the Pacific Coast Mutual network. The promotion runs to mid-May.

Clubs and church organizations have taken quick hold of the offer, Fisher reports. Some groups have sent notices to members urging participation.

The offer is reminiscent of a similar twist used last year when H. J. Heinz Co. shipped several million cans of food to European children.

PRODUCTION

THE 14-PAGE LIST of materials that Glen Arons, Northrop standards engineer, is showing C. M. Miller, materials engineer, replaces all those catalogs for buying purposes

Standards Simplify Buying

New stock list of materials going into planes saves airframe builders' time and money. Compiling it was fairly easy; persuading designers to forego pet specifications was the hard part of the job.

Materials procurement isn't a simple task in any industry. It's particularly tough in the aircraft field, because aircraft design requires:

(1) A variety of materials (steel, both alloy and stainless, aluminum, magnesium), in

(2) A variety of forms (sheets, tubes, shapes), which must meet

(3) Special specifications of temper and finish.

Besides, there are problems of (1) spot shortages in supply, (2) lack of warehousing facilities in aircraft-manufacturing areas, and (3) military red tape that requires special approval for deviations from blueprint specifications. Put all these together, and you're a customer for aspirin.

• **List**—Last week things looked a lot brighter for the airframe manufacturers about to embark on a big production program (BW—May1'48,p28). Reason: Their materials procurement will be simpler, thanks to two years of work by engineers of the West Coast division of the National Aircraft Standards Committee.

The result of that work is a 14-page typewritten list (picture, above) that puts order into procurement policies. Its name: "Warehouse Stock List of Aircraft Specification Materials."

The voluntary project, sparkplugged by Glen Arons, standards engineer for Northrop Aircraft, Inc., was started in 1946. It involved close cooperation between materials suppliers and airframe engineers.

• **Unique Problem**—The problem which the committee has licked starts with the customs and peculiarities of plane-building. Manufacturers had always used conventional materials-control methods on their physical stocks—but none had ever attempted to standardize materials demand.

Design engineers surrounded themselves with dozens of catalogs published by metals suppliers; in creating planes they were apt to run the gamut of shapes, sizes, tempers, finishes. This worked before World War II, when metals were plentiful and demand was small. But in the postwar world, with shortages in many basic materials, trouble aplenty arose.

• **Trouble**—When a designer specifies a certain material to make a part (perhaps while his colleague on the next drawing board is specifying another to do substantially the same job) the

In pioneer days, the cryptic letters **G.T.T.** became familiar in the Old South, the Midwest, the North and East.

They stood for **"Gone To Texas"**—the land of geographic and climatic advantages, of untold natural resources, the land of expanding opportunities.

Now the pioneers' G. T. T. sign is becoming a familiar sight again. Soon it will go up at Stratford, Connecticut to mark what we believe to be the greatest, most significant industrial relocation in the history of America.

Chance Vought Aircraft Is Moving to Texas—to DALLAS, TEXAS

The Navy has leased to Chance Vought Aircraft Division of United Aircraft Corp. the Naval Industrial Reserve Plant at Dallas (67 acres of factory floor area under roof on a site embracing 272.59 acres of land).

Producers of fine aircraft for more than 30 years, Chance Vought will require from 12 to 18 months to complete the move to its new location.

About 1600 supervisory and key employees, and their families, are coming from New England to make new homes in the Great Southwest.

An estimated 1000 freight carloads of inventory, tools, equipment and records will be shipped to Texas

Another 6,000-odd new Chance Vought employees will be recruited in the Dallas area to replace workers not moving with the company.

For more than 8 months, company officials carefully studied the Naval Industrial Reserve Plant, the Dallas Community, the climate, labor quality and quantity, Texas, and the Southwest. Then, convinced of the wisdom of the re-location, successful negotiations were entered into with the Navy.

Here are a few of the advantages of the new location—advantages which dictated the history-making move:

Better year-'round flying weather (contact flying conditions 94% of the time).

A modern, integrated manufacturing plant, complete for peacetime use—quickly, easily adaptable for emergency operations.

Superior airport facilities (provided by Dallas foresight years before Pearl Harbor).

Proven efficiency of Dallas workers (aircraft production records were made and broken in Dallas during the war).

Excellent living conditions in the Dallas area.

In the words of Rex B. Beisel, General Manager, Chance Vought: "Dallas represents the finest blending of East and West. We like it."

Dallas and the entire Southwest join in welcoming this great new industry, and the members of the Chance Vought family.

We're proud of the honor that the company and its people are bestowing on Dallas and the Dallas Southwest.

DALLAS CHAMBER OF COMMERCE
DALLAS, TEXAS

specification becomes part of the blueprint. On a military contract, the blueprint, once approved by the military, cannot be changed without reapproval.

The materials requirements from the blueprints of these contracts—each reflecting the habits or preferences of its own designer—must be translated into purchase orders. And the result is a confusing avalanche of orders for a little bit of this and a little bit of that. Metal suppliers' warehouses thus became massive monstrosities, with thousands upon thousands of items. Many of these differed but slightly from perhaps a dozen others. Many were rarely called for, and then in extremely small quantities.

• **Sources of Delay**—The situation in aluminum was so bad that no warehouse worthy of the name existed in the Los Angeles area. Orders for almost all items had to be relayed directly to the mill or factory—with consequent delay.

Worst of all: Many materials are not always available even there. This leads to the curse of aircraft materials buyers—the "deviation." This means that alternate materials must be specified by the engineer, approved by the military, and ordered—a long and nerve-fraying process. Often several deviations are needed before a single order can be filled.

• **Compilation**—For the committee, the first part of the project was relatively easy. It consisted of compiling a list of the most-used items, and getting suppliers to agree to have ample quantities on hand at all times. The committee calls these the "guaranteed items."

Next, the committee set up a "tentative complete list." The first version was put together a year ago. It included many items beyond those on the "guaranteed" roster, but these may not be ordered without checking for availability first.

Regular meetings are held to update the list on the basis of experience. The newest version was put in the mails last week.

• **Compromise**—Concessions were made on all sides—not only on tempers, finishes, and dimensions, but also on such matters as unit sizes. In aluminum sheet, for example, instead of three or four sheet sizes in all tempers and finishes, one size—48 in. x 144 in.—has been agreed upon by all the aircraft manufacturers as the one they'll call for. They compromised on tubing lengths and metal sheet thicknesses.

• **Fight for Acceptance**—The next part of the problem was tougher. In return for the suppliers' guarantee, the aircraft men had to go back to their factories and convince engineers that only the materials on the Warehouse Stock List should be called for on blueprints, except in special cases.

The engineers' reaction was often

AN ADVERTISING AGENCY urges continuing re-appraisal of your Institutional Market

Above: Monty Mann, Vice-President and Media Director of Tracy-Locke Company, Inc., Dallas, Texas

"DURING the war most phases of American business changed rapidly and radically. Many looked forward to a post-war period of relatively stable conditions. Instead of realizing this, virtually all business is finding the tempo of change accelerating at an unprecedented rate.

"In our continuing studies of markets for our clients, we are increasingly impressed with the extensive changes now taking place. These are being influenced by greatly broadening markets, changes in consumer demands, changes in personnel, and operating techniques revamped to suit today's conditions.

"Our clients who manufacture and market products for the institutional field including hotels, hospitals, schools, colleges, restaurants, and other types of institutions are being advised of the need for a continuing reappraisal of these changes. They are impressed with the desirability of broadening their market-consciousness to include the entire field of mass feeding and mass housing. This market must be cultivated aggressively and constantly to obtain great benefits available through its huge purchasing power."

The foregoing comments by Monty Mann, Vice-President and Media Director of Tracy-Locke Company, Inc., of Dallas, Texas are especially significant at this time in view of INSTITUTIONS Magazine's recent re-survey of the institutional field which shows this market as being more than eleven billion dollars in size.

INSTITUTIONS Magazine is the only monthly publication, and INSTITUTIONS Catalog Directory is the only annual publication reaching all related segments of the institutional field. These publications offer manufacturers of products which have an application to mass feeding and mass housing, the widest possible coverage of those who buy and specify the huge quantities of products, equipment and supplies consumed by institutions throughout the nation. Further information regarding this eleven billion dollar market, and the only publications which cover all its related segments can be obtained by writing direct . . . or consult your advertising agency.

THESE ARE Institutions

- Hotels
- Restaurants
- Hospitals
- Railroad Systems
- Air Lines
- Industrial Cafeterias
- Schools
- Colleges
- YMCAs, YWCAs
- Government Agencies
- Office Buildings
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less than enthusiastic; some disputes went right to top management. Since most aircraft factories have traditionally put design ahead of cost accounting, the materials men had tough sledding. But they had one clinching argument: No matter how many times an engineer calls for his pet material (or size or shape or temper), in the long run he almost always must settle for whatever the buyer can get.

Said the materials men: "Let's stop kidding ourselves. Write the deviation before the engineering drawing, not after." The battles haven't stopped entirely; as with any voluntary program, acceptance has been slower in some companies than in others. But the materials men consider the war won.

• **Applause**—Suppliers are enthusiastic. In the past, steel warehouses had to carry as many as eight different types of steel tube with the same diameter and wall-thickness, because of variations in alloy, heat treatment, and finish. With the Warehouse Stock List, such variations have already been reduced to as few as two or, in some instances, one.

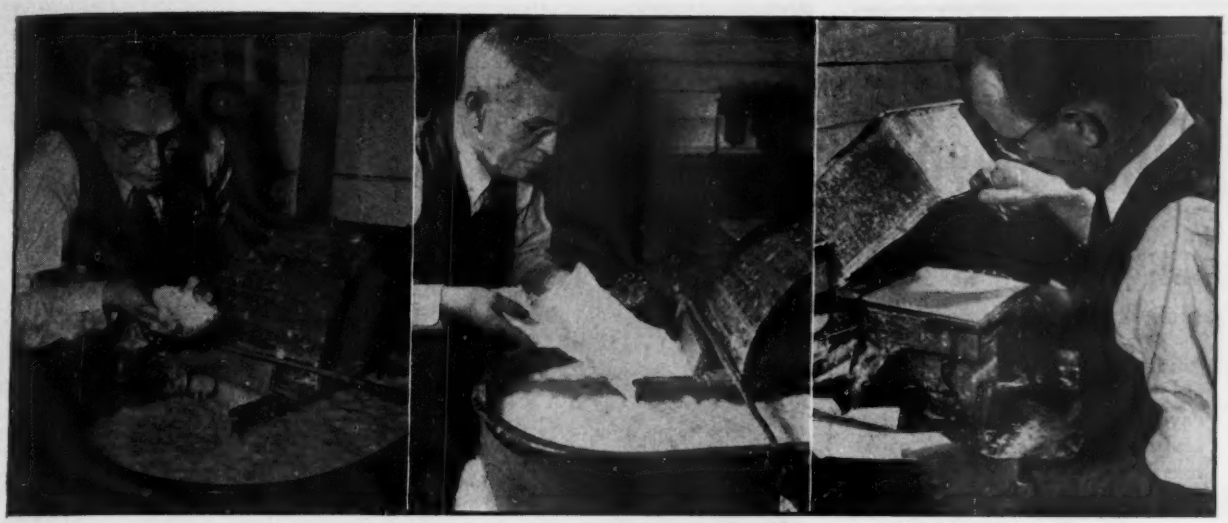
The Ducommun Metals & Supply Co., Los Angeles, decided the plan would allow it to set up a stock of aircraft aluminum in Los Angeles, following the Warehouse Stocklist. Kaiser Co. asked its steel warehouses to stock aluminum according to the list.

• **Extra Dividends**—Had no other development but this come out of the committee's labors, the members would have been satisfied. But the advantages have touched every link in the chain of materials supply. The aircraft companies are cutting their own inventories now that delivery of such a large number of items is almost instantaneous. Northrop, for example, has reduced the number of items in its stockrooms 40% below a year ago. On those that remain, less stock is needed.

Happiest of all are the buyers, with whom deviations are becoming less of a nightmare. Materials-control men and even some designers, freed from the deviation curse, are enthusiastic.

• **Unfinished**—The work of the committee is far from finished, however. For one thing, it must constantly revise the list to keep up with new materials. Besides, the committeemen must keep selling their engineers on the value of the list (and reminding them that it doesn't prevent them from using any material they want; it only tells them what they can be sure of getting).

A brass and copper section will be added to the list as soon as possible. And the committee, ambitiously, has scheduled a similar project for the thousands of assembling parts (screws, bolts, clips, couplings, etc.) already on standardized lists published by the Air Force, Army, and Navy. These lists are ripe for trimming, the committee feels.



Continuous laboratory control over beating, coloring, drying is vital in . . .

Making More and Better Paper

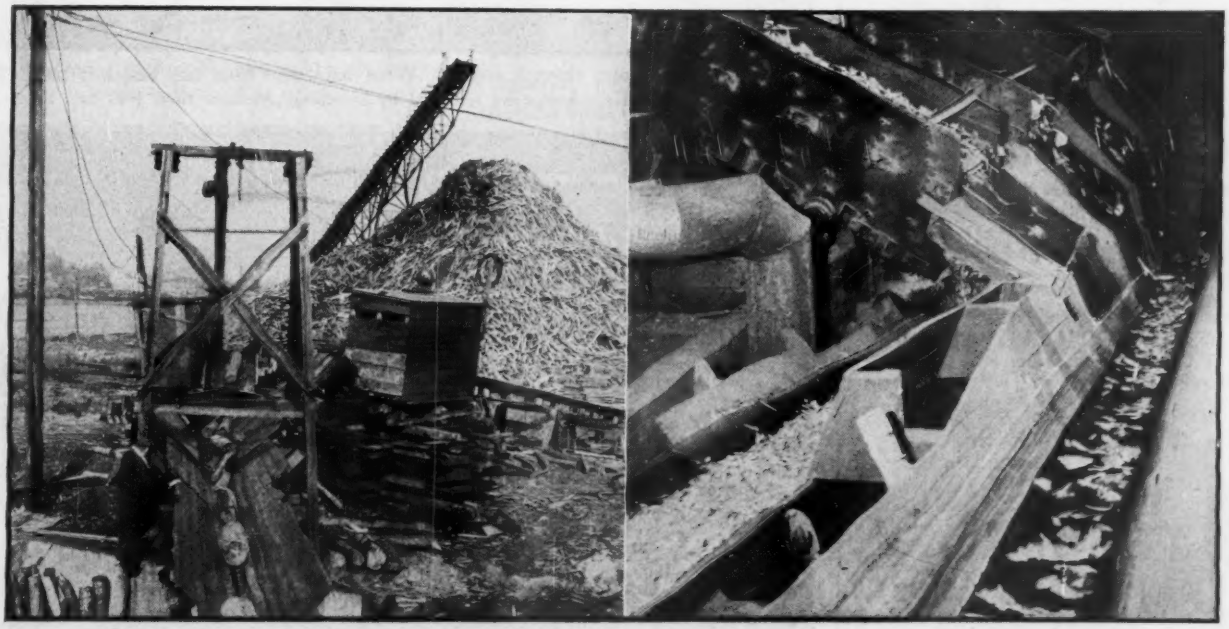
The paper industry had something to crow about last week: The American Paper & Pulp Assn. announced that March output had set a new high. Production of paper and paperboard came to over 1.9-million tons—52,000 more than in October, 1947, the last record.

The industry did it by: (1) expanding plant capacity, and (2) pushing production equipment to its limit through round-the-clock operation. Even so, hanging up this record was a tough job.

A camera tour through the Eastern Corp.'s mill at South Brewer, Me., will show why. Its end products are the thin, strong sheets of sulphite used in every variety of business. Making them takes huge quantities of wood for pulping, massive machinery—and exact scientific control. The pictures above show how paper is made by chemists in the lab in miniature as a constant check on what's happening in the plant.

Papermaking is one of the oldest human arts. By the early 19th century, thanks to the invention of the first papermaking machinery, it had progressed from personal craftsmanship to mass production. But even today, the basic steps are still those of ancient China—refined and advanced by science.

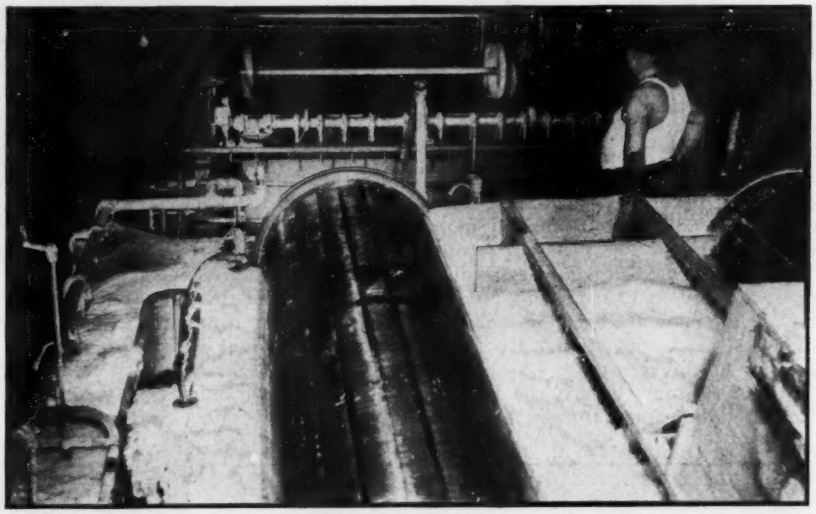
Wood pulp is shredded to fibers, which are beaten in water to form a wet pulp. This is spread uniformly over a wire fabric or screen to draw off excess moisture. The dried pulp passes through the Fourdrinier machine (as the papermaking machine is called); it forms, finishes, and dries the pulp into sheets. Other operations include tinting, filling, calendering (glazing).



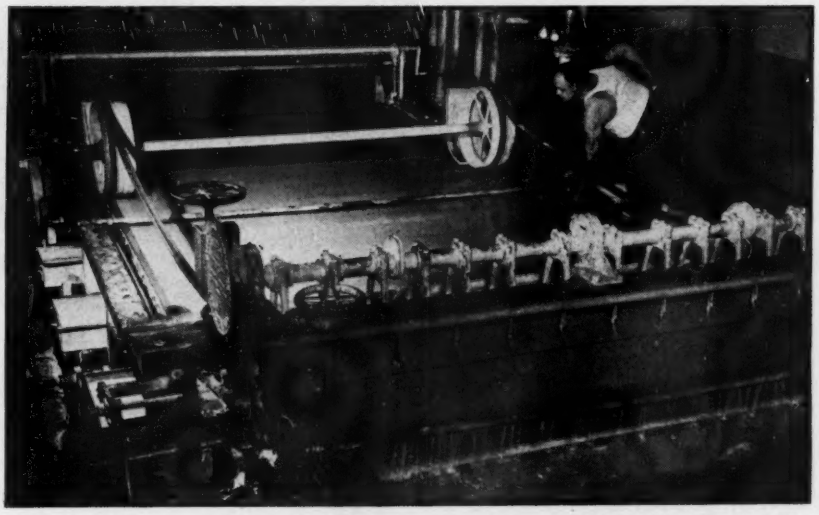
1 Papermaking starts with these piles of cordwood, stacked outside the plant. The wood is cut up and the resulting . . .

2 Chips are passed through sizing screens. Screens reject the big ones. The small ones go to (TURN TO PAGE 66) . . .

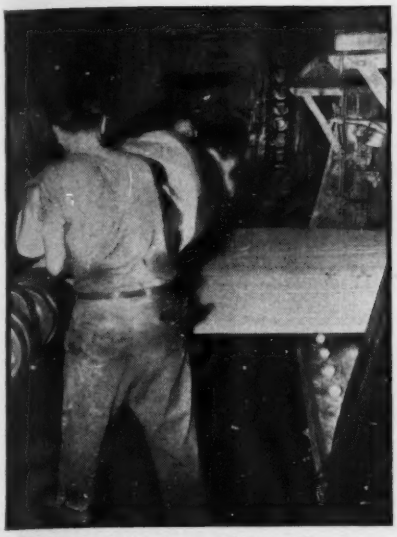
3 The beater: It makes the pulp by beating up wood fibers with water. Color and sizing are added to determine the quality of the paper. After this . . .



4 The mixture passes through screens. What has come from the beater is mostly (99.5%) water; large lumps are removed by screening. Mixture then goes to . . .



5 The Fourdrinier machine, which forms the paper. The pulp is suspended on wires, the water drawn off. It goes to drier, emerges as (TURN TO PAGE 67) . . .



6 Reels of finished sulphite. These contain 2 miles of paper. Next step is . . .

7 Trimming to size. Four to eight reels can be handled at once. Last step is . . .

8 Inking. This machine can rule the lines for business forms 2 ways at once

NEW PRODUCTS

Microfilm Viewer

Microfilm reading is made easy with a machine developed by American Optical Co., Scientific Instrument Division, Buffalo, N. Y. Among its features: a texture-free projection screen, four-speed automatic film shifting, simple focusing adjustment.

The screen (12¼-in. square) is made of special paper sealed and bonded to glass with a plastic compound. The textureless quality, says American, cuts down eye fatigue.

You can find the approximate spot you are looking for on the microfilm by running the viewer at high speed. When you're ready to look at titles, you can switch to a slower speed. The motor is reversible.

Three magnifications can be picked: 14x, 20x, and 35x. Copies of the film can be made on photographic paper in less than two min.—without a darkroom.

The machine takes 16-mm. film. American reports the lamp housing can always be handled safely—temperature never exceeds 120 F.

• *Availability: four weeks.*

Auto Spinner

For automobile showrooms, Macton Machinery Co., Inc., 140 Cedar St., New York 6, has designed a portable turntable. Plugging it into a 110-v. outlet starts it turning. It requires no special foundations or wiring.

The table revolves clockwise—making one turn every two minutes. Drive comes from a ½-hp. motor. The turning is done on three wheels mounted at 120-deg. angles under the center of the table. One of these wheels is a driver; the other two are merely idlers.

Runways on the table are 4 in. above the floor, come in 12-ft. to 15-ft. lengths. Capacity is 4,000 lb. As optional equipment, you can get an electrical outlet on the table so that you can light up the inside of the car.

• *Availability: two to three weeks.*

Tiny Microphone

Smaller in size than a pack of cigarettes, a new broadcast microphone is designed for radio studios, conventions, and clubs. The maker: Radio Corp. of America, Victor Division, Camden, N. J.

Big advantage of the microphone is that it doesn't hide the faces of singers or speakers. Its light weight (12 oz.) makes it easy to carry around for remote pickups.

The unit can be tilted backward or forward through an angle of about 30 deg. A switch under the swivel pivot lets you select bass response for voice or music. RCA reports that despite its size the microphone has an output level comparable to larger, conventional units.

• *Availability: delivery in two months.*

All-in-One Camera

A camera that combines range finders, a night focusing device, and flash equipment in its body has been announced by Kalart Co., Inc., Stamford, Conn. The camera has an aluminum

Wherever Trade Winds Blow...

every sign points to
Marchant Calculators for
supremacy in the production
of business figures

On your invitation the Marchant Man in your phone book will be glad to prove this statement on your own work. For details about Marchant Accuracy in figure-work, please write for Folder 16

MARCHANT CALCULATORS

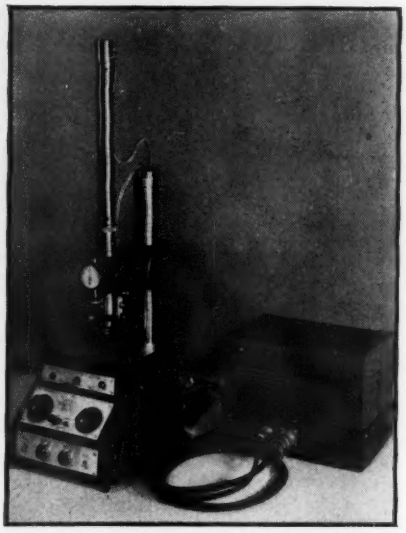
OAKLAND 8, CALIFORNIA

die-cast body, weighs just under 5 lb. It uses all standard film holders and pack adapters; film size is 3¼ x 4¼ in. The lens is a 127-mm. F4.5; shutter speeds go up to 1/400 sec.

Dual built-in range finders, one on each side of the camera, focus subjects as close as 30 in. from the focal plane. In poor light or darkness, the "Focuspot" shows approximate center of the picture and correct focus. Two sockets for flash reflectors are built into the camera's top. Bulbs can be used simultaneously or alone—depending on the light needed.

Kalart says it is impossible to get blank negatives or to fire flash bulbs prematurely. In pictures without flash, the shutter can't be tripped until the film holder has been inserted and the slide withdrawn. With flash shots, the bulb won't light unless the shutter has been cocked and the film holder inserted.

• *Availability: early fall.*



Precision Drill

Electronic control substitutes for operator skill in the new Microdrill. It does away with the need for visual observation of the drilling operation, and is said to increase accuracy of drilling. The machine is made by Teletronics Laboratory, 352 Maple Ave., Westbury, Long Island, N. Y.

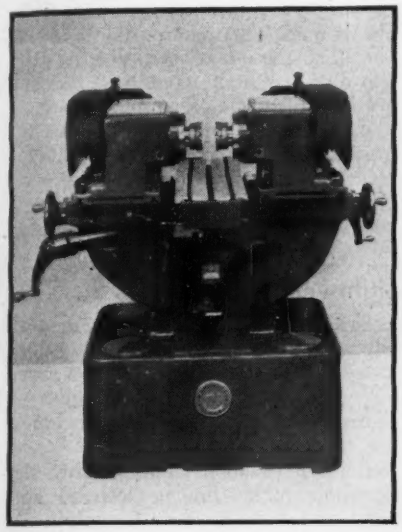
A patented thermal motor feeds the drill spindle into the work. The spindle is mounted on a plunger, against which is seated a compression spring. Two Nichrome wires hold the spring in check. When the electronic controls are set and the drill placed in operation, the wires are heated to a predetermined temperature. This causes the wires to elongate, and releases the spring. The spring then pushes the spindle down into the work, to the desired depth.

A twist of a knob lowers the drill and

holds it at the work surface. Rate of feed and depth of hole can be preset; the drill stops feeding when proper hole depth is reached. A snap of the switch lifts the drill from the work to its original position.

Standard models handle 0.004-in. to 0.025-in. pivot drills, with maximum feed travel of 0.150 in. Maximum spindle speed is about 50,000 rpm.

• *Availability: in small quantities, immediate; large orders, two to three months.*



Double-Head Miller

A milling machine to mill two surfaces in one pass has been designed for light-duty work. It's a double-spindle machine with independently geared milling heads. Each head has 15 spindle speeds, ranging from 55 rpm. to 2,080 rpm. W. H. Nichols Co., machine-tool manufacturer, Waltham, Mass., is the maker.

Heads are adjustable in three planes: horizontal, oblique, and vertical. Maximum distance between spindle noses is 16 in., minimum distance 4 in. Vertical attachments can be fitted on either spindle to increase machine flexibility.

The 8½- x 34-in. table is moved by a solenoid-operated air cylinder. The machine is 55 in. high, takes 4 x 5 ft. of floor space.

• *Availability: 12 weeks.*

Food Saver

West Atlantic Corp. believes it has found a simple, inexpensive way to preserve foodstuffs. Its plastic film, Plast-O-Trete, to cover eggs, fruits, and some vegetables, is said to do the trick. The fluid is applied by dipping, spraying, or brushing; it dries quickly. It is described as odorless, tasteless, nontoxic.

The coating is a mixture of thermo-

plastic resin dispersed in water with food preservers and wetting agents. The company reports that it is impervious to mold and bacteria.

Plast-O-Trete is marketed in two forms. For shell eggs, a thick coat is applied. This seals the egg tight, prevents the evaporation of moisture and carbon dioxide—chief cause of deterioration. According to the company, eggs coated with the film have kept for more than a month in temperatures from 45 F to 65 F. In cold storage, they have lasted nine months or longer.

For fruits, vegetables, copra, and cocoa beans, a thinner, semi-permeable film is used. This permits the foods to "breathe" (absorb oxygen, give off carbon dioxide); at the same time it keeps out harmful micro-organisms.

Both forms are obtainable from the manufacturer at 517 West 57th St., New York 19.

• *Availability: in experimental quantities, seven to ten days.*

Lightweight Cables

Savings in cost and weight are the advantages of two aluminum cables slated for production at U. S. Rubber Co. Both cables are specifically designed for mining: one for bore holes, the other for mine entrances.

Because of their light weight, the bore-hole cables can be lowered and supported without elaborate equipment. The entrance cables are particularly suited for low-ceiling mines where handling is a problem. Both cables are covered with a neoprene rubber compound that resists mine acids and oils. They can be spliced and joined with mechanical connectors, or soldered. The company address: Rockefeller Center, N. Y.

• *Availability: immediate, in most sizes.*

P. S.

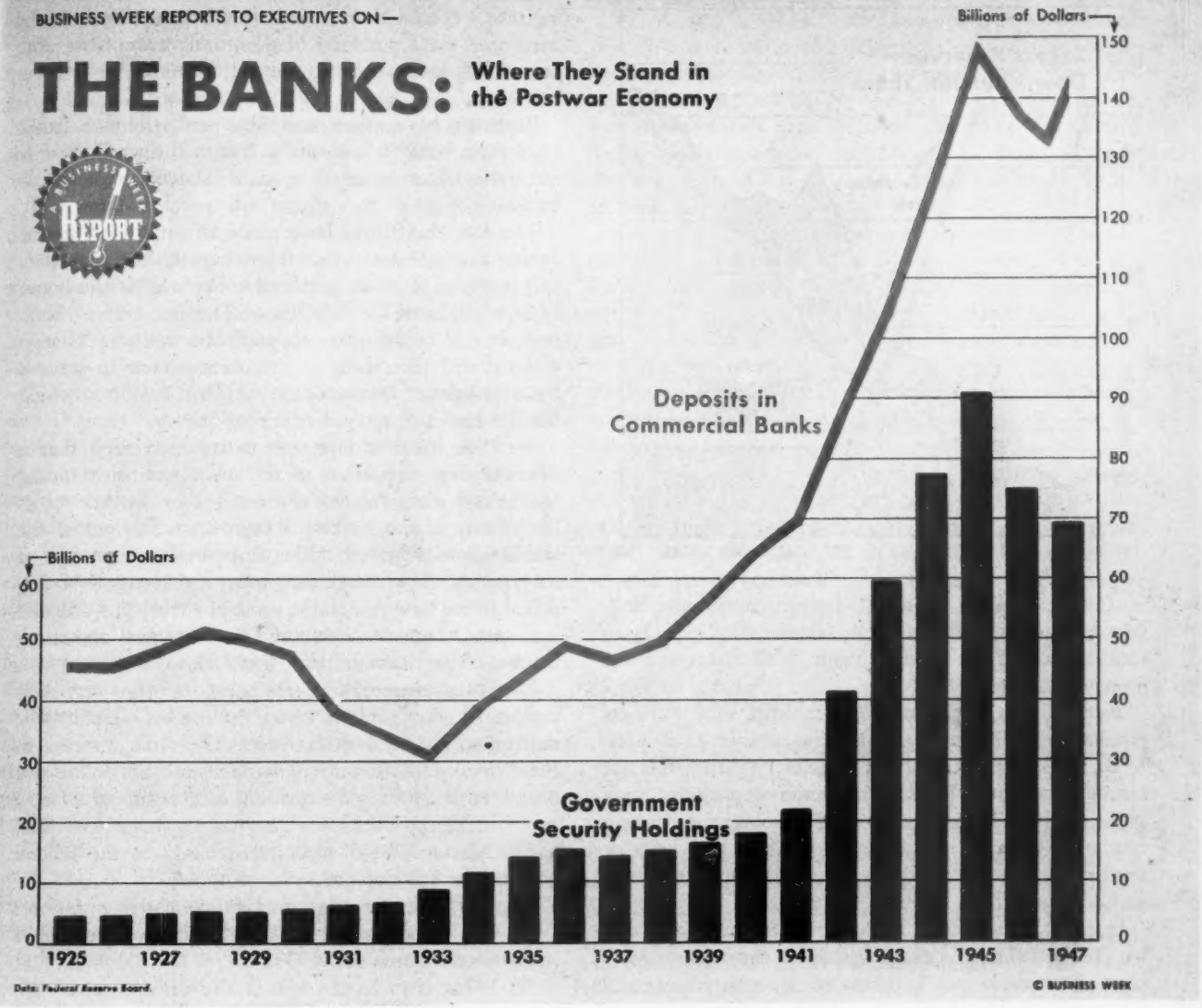
Three-way cabinet lock is a development of Yale & Towne Mfg. Co., Stamford, Conn. A rotating cylinder can be turned so that the bolt moves vertically for drawer locks, horizontally for right-hand or left-hand cabinet doors.

A rubber-covered propeller made by Goodyear Tire & Rubber Co., Akron, Ohio, is said to lick the fouling problem for motor boats. The rubber covers a cast-aluminum or bronze core.

Embossed aluminum sheets finished at the mill in diamond, square, or stucco patterns have been announced by Reynolds Metals Co., 2500 S. Third St., Louisville. The embossed surfaces hide scratches and signs of wear.

Fractional-hp. air compressors have been announced by American Brake Shoe Co., Kellogg Division, 230 Park Ave., New York 17. They are portable; special design keeps the air from contact with lubricating oils.

THE BANKS: Where They Stand in the Postwar Economy



Many years ago it was widely believed that the U. S. economy had reached maturity. You haven't heard much about the mature economy lately. The war and the postwar expansion finished off that idea.

But just at the moment that most U. S. business was getting its second wind, one important segment did arrive at maturity. It was the commercial banking system.

Today, the big item on the asset side of commercial bank ledgers is not loans. It is government securities. Almost $6 out of each $10 of banks' earning assets is in Treasury obligations. This change in the banking picture raises some questions that are vitally important for business.

To get the answers, Business Week has carefully explored the whole field of banking—with particular attention to the tie-in between banking and general business.

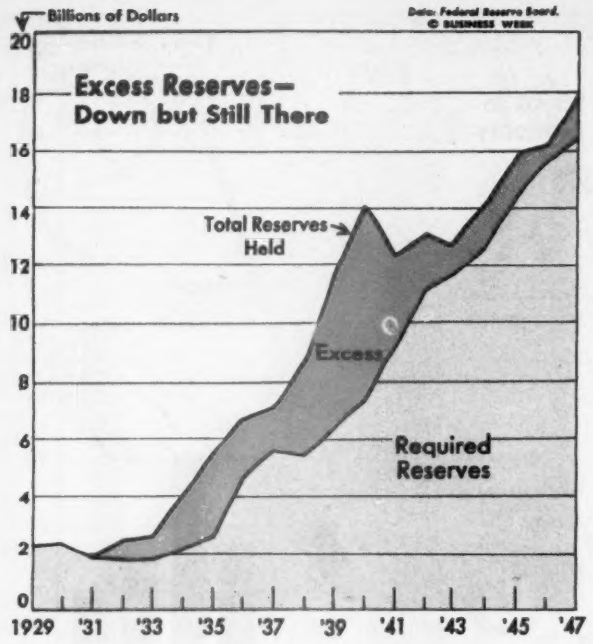
JUST 15 YEARS AGO—in March, 1933—the U. S. banking system was flat on its back.

Every bank in the country was closed. One out of every six was hopelessly insolvent, and most of the rest didn't know whether they were or not. Franklin D. Roosevelt, the incoming president, was declaiming from the Capitol steps:

". . . The rulers of the exchange of mankind's goods have failed, through their own stubbornness and their own incompetence, have admitted their failure, and abdicated. Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men."

This black hour came after the country had been trying for 150 years to develop a banking system that would be both safe and vigorous, a banking system that would supply the financial needs of a growing economy without periodically going to pieces. Behind the 1933 crisis was a long record of problems and attempts to solve them:

There was the Federal Reserve Act and the demand for an "elastic" currency. There was the National Banking Act and wildcat banking, the great fight between Nicholas Biddle and Andrew Jackson, Hamilton's plan for the first United States Bank. There were long debates



in Congress about reserves, eligible paper, and self-liquidating assets. There were bitter complaints from various parts of the country about Wall Street and the money monopoly.

Tied in with these banking problems were business problems. For business and banking always have interacted. Banking panics, such as those of 1907 and 1893, set business back on its heels. And business depressions, such as that of 1920, kicked the props from under the banking system. In the collapse of 1933, business and banking went down together, and neither could hope to recover without the other.

In the 15 years since 1933, the U. S. banking system has changed almost as much as it did in the preceding 150 years of its evolution. In terms of deposits, commercial banks now are better than four times the size they were in 1933. But the structural changes in the banking system are more significant than the increase in size.

By and large, the changes of the last 15 years have been for the better. The banking system at the end of the war was stronger than it had ever been before in all its history. And since V-J Day it has demonstrated that it doesn't intend to curl up comfortably on its government bonds and go to sleep. In the past two years commercial banks have added about $12-billion to their loans. This expansion of credit in the midst of a general inflation has some alarming implications for the government officials charged with responsibility for monetary control. Nevertheless, it testifies that the banking system is alive and vigorous.

As one New York banker says: "Banking is a going concern again—for the first time since the start of the Great Depression."

For the past two years, most banks have steered a fairly straight course midway between two opposite dangers. They have avoided the sort of happy-go-lucky expansion that preceded the collapse of the thirties. At the same time, they have kept themselves from degenerating into a special form of investment trust, comfortably ensconced on a portfolio of government securities and only mildly interested in supplying the wants of business borrowers.

Because it has avoided both these perils, the U. S. banking system today is one of the few in the world that is not nationalized or standing in the shadow of nationalization.

The fact that banks have made an impressive record during the past two years doesn't guarantee that they will continue to do so indefinitely. As long as the boom lasts, most loans are safe loans. The real test of bank policies will come when the inflation is over. That is when it will take really expert management to achieve the nice balance between safety and risk-taking in which lies the banking system's salvation.

As it is, some of the experts are convinced that a disconcerting proportion of the loans now outstanding will go bad when the first real test comes. As they see it, the vitality of the banking system since the end of the war has been achieved at the expense of at least part of its liquidity. They think that many bankers will be surprised to see how vulnerable some of their loans are, and how quickly a combination of falling business and rising break-even points could turn them sour.

Moreover, from the standpoint of the monetary authorities, the problems of controlling bank credit have multiplied in the past few years. The same increase in the federal debt that strengthened bank portfolios and promoted the four-fold expansion of deposits raised new and baffling problems for the money managers. The whole relation of the commercial banks to the federal government has changed.

All this raises at least two fundamental questions:

(1) Could the present banking system ever be caught in another collapse like 1933?

(2) What is to be the role of the banks in the U. S. economy in the future? On one hand, will they be able to supply business with the capital it needs? On the other, will they involve the country in a catastrophic inflation through reckless expansion of credit?

Before we can answer these questions, we must take a more detailed look at the way the banking system has changed in the past 15 years.

THEN—AND NOW

In one fundamental respect, the present banking system has not changed. It is still a system of unit banking. That is, it is composed of thousands of individual and completely independent banks scattered over the country. Although there are some imposing branch-banking systems—notably the Bank of America in California—the independent, single-office bank still is typical.

This is characteristic of American banking, and it is one of the great differences between the American banking system and the systems of other countries. In the rest of the world, branch banking is the rule. In England, for instance, the Bank of England and five great

private banks with their networks of branches dominate the financial life of the country.

Over the years, the number of banks in the U. S. has been shrinking. In 1921 there were nearly 30,000 commercial banks. By the end of 1929 the total was down to 24,000, and after the 1933 disaster only 14,400 banks reopened before the end of the year. Today the total number of commercial banks is down to 14,186.

The rapid drop in the number of operating banks during the twenties was a symptom of the weakness of the banking system as a whole. For most of the banks that went out of business during that period did it the hard way—by receivership. From 1920 to 1934 some 14,800 banks were suspended. Since the end of 1933 there have been only 336 suspensions.

The significant shift in the banking picture in the past 15 years has not been the drop in the number of banks but the tremendous change in the size and composition of bank asset portfolios. If a cashier of 1929 had been presented with the books of a modern bank, he might very well have denied that it was a bank at all. To him it would have looked like some new breed of financial institution, sired by a pawnbroker and mothered by an investment trust.

In June, 1929, total loans and investments of commercial banks came to $49.4-billion. Holdings of government securities were just under $5-billion; other security holdings were $8.7-billion. Loans added up to $35.7-billion, or 72% of the total earning asset portfolio. Better than $7-billion of these loans were in the form of credit extended to New York brokers and dealers, secured by stocks and bonds.

By June, 1933, earning assets had dropped almost 40% to a total of $30.4-billion. Most of this decrease came from a violent contraction in loans, which went down to $16.4-billion, a shade better than half the total. Government securities rose to $7.5-billion, and other securities dropped to $6.5-billion.

In January, 1948, here is the way bank portfolios shaped up:

Total loans and investments of all commercial banks were $116.7-billion. Of this, $69.2-billion, or 59%, was in government securities. Loans were $38.4-billion, only $2.7-billion above their 1929 level. Other securities added up to about $9-billion, only a little more than in 1929.

In other words, the government's deficit financing has layered some $64-billion worth of government securities into the commercial banking system. And this massive block of gilt-edge obligations has become the most important asset in bank portfolios. Government securities rather than commercial loans are now the base of the nation's credit structure. And government securities now account for better than one-third of all bank earnings.

The tremendous expansion of bank holdings of governments was accompanied by a similar expansion in deposit liabilities. Commercial bank deposits were $49-billion in 1929 and $31.9-billion in 1933. In January, 1948, they were $140.2-billion. In one sense, the growth of deposits is a symptom of the general inflation of the economy. But from another viewpoint, this huge addition to the money supply has been the main cause of the current inflation.

The capital funds of banks have not grown anywhere near so fast as assets and deposits. Consequently, there has been a steady decline in capital ratios. The old rule of thumb for a banker was that he should keep at least a one-to-ten ratio between capital and deposits. Today capital funds are only about 7% of deposits for commercial banks as a whole; many individual banks are well below that.

The big holdings of government securities have put a new twist on theories of bank management, however. Early in the war, government authorities began to point out that Treasury obligations were "riskless assets" and that a bank heavily invested in governments could afford to ignore the trend in the capital-to-deposit ratio. As a result, the old one-to-ten rule is a back number now; most experts appraise a bank's strength in terms of the ratio of capital to "risk assets"—that is, assets other than cash and government securities. On this basis, the banking system as a whole stacks up pretty well in comparison with the prewar period, although it has lost ground since the war.

But the fact remains that the capital accounts are the weakest part of the banking picture just now. If it were not for the other strong points in the system, the low capital ratios might be something to start worrying about.

ENTER FDIC

One of these strong points is something that doesn't show in the balance sheets. It is the Federal Deposit Insurance Corp.

FDIC was born in 1933 in the aftermath of the panic. Under present rules, it unconditionally guarantees all deposits up to $5,000 in the participating banks. It is financed by an annual assessment of one-twelfth of one percent on the average deposits of the insured banks. All but about 800 small commercial banks, with total deposits of about $2-billion, have qualified for FDIC coverage; in other words, its membership is virtually identical with the whole commercial banking system.

FDIC started at a time when the banking system had just had all the water squeezed out of it. Even so, its record has been phenomenal. Since 1934 fewer than 250

Commercial Bank Failures

	Failures	Deposits (000 omitted)		Failures	Deposits (000 omitted)
1921	505	$ 172,188	1935	34	$10,015
1922	366	91,182	1936	44	11,306
1923	646	149,601	1937	59	19,723
1924	775	210,151	1938	54	10,532
1925	618	167,555	1939	42	34,998
1926	976	260,378	1940	22	5,943
1927	669	199,329	1941	8	3,726
1928	498	142,386	1942	9	1,702
1929	659	230,643	1943	4	6,223
1930	1,350	837,096	1944	1	405
1931	2,293	1,690,232	1945	0	0
1932	1,453	706,188	1946	0	0
1933	4,000	3,596,698	1947	1	167
1934	57	36,937			

insured banks have been placed in receivership. Before 1934 even a good year might see 500 or more banks going under. FDIC's losses and expenses so far have been considerably less than the earnings on the reserves that it has built up and invested in government bonds. In other words, its underwriting business to date has operated at a profit.

One reason for FDIC's success is simply that bankers, who got scorched in 1933, have been careful about playing with matches ever since. Another important factor is the general confidence in the safety of the banking system that a comprehensive system of deposit insurance generates.

FDIC has shrewdly capitalized the effect on confidence by developing a policy of encouraging mergers and consolidations as substitutes for receivership. Whenever an insured bank gets wobbly, FDIC's first step is to try to arrange for a stronger neighbor to take it over. In these mergers, FDIC buys up or makes advances on the doubtful assets of the weak bank; the strong bank then takes over the cash and remaining assets and assumes all the deposit liabilities of the weak bank.

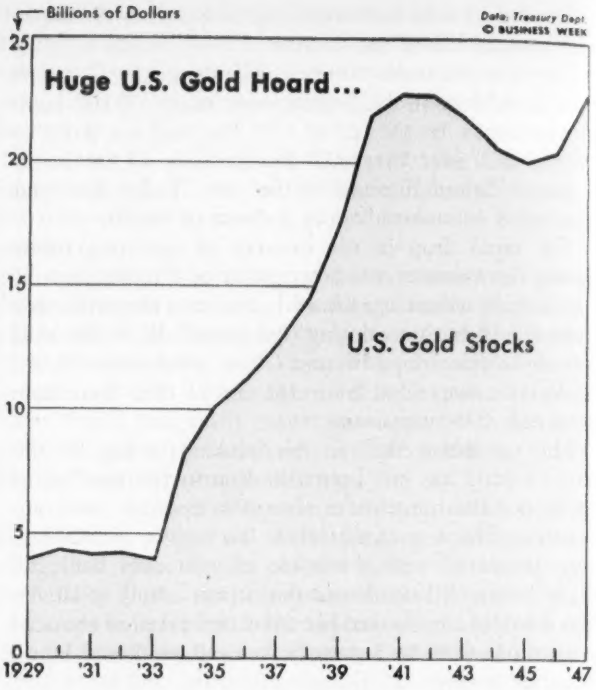
The merger treatment has two big advantages, aside from the fact that it jolts public confidence far less than a plain receivership would. One is that FDIC can minimize its losses by taking over the doubtful assets and liquidating them quietly. The other is that in a merger deposits over $5,000 are protected just as well as the smaller accounts.

There still are bankers who say that FDIC has yet to prove itself in a really tough situation. As they see it, deposit insurance is a fair-weather operation. It works as long as the banks keep out of trouble; it blows up the first time there is any drastic shrinkage in the credit structure.

There is no denying, of course, that FDIC works on what would be an unthinkably slender margin for any other form of insurance. At the moment it is in the process of paying back the $289-million of starting capital that the government gave it. When that operation is finished, it will have total reserves of $1-billion, plus $3-billion borrowing power. Total deposits in all insured banks (both commercial and mutual savings banks) were $154-billion at the end of 1947.

Theoretically, FDIC's assets would not be a drop in the bucket if the banking system started to go to pieces. But this sort of comparison is meaningless. In the first place, insured banks now hold about $114-billion in cash and government securities; that means that if every loan and corporate security on their books went completely bad, they still could pay almost 75¢ on the dollar to depositors. In the second place, if FDIC's $4-billion should prove inadequate, Congress almost certainly would give it more money.

And finally, but most important of all, the various government agencies are determined that the banking system is not going to go to pieces again no matter what sort of trouble it runs into. The Federal Reserve Board and the Reconstruction Finance Corp., as well as FDIC, would step in before any panicky liquidation started, with as much assistance as it took to keep the banks as a whole on their feet. They wouldn't wait as they did before 1933.



DEPRESSION AND RECOVERY

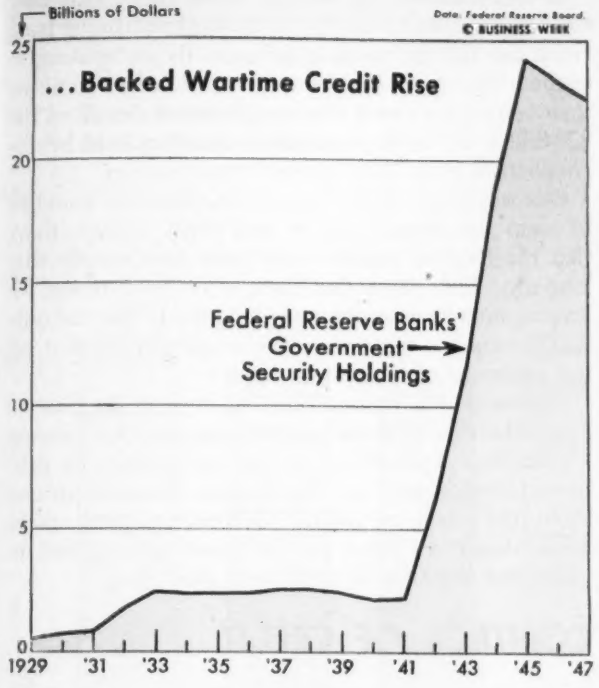
THE BASIC INTERNAL CHANGES in the commercial banking system over the past 15 years have been paralleled by a whole set of equally important changes in the relationship of the banks to the government.

Back around 1929, most economists felt fairly confident that they understood just how the U. S. banking system worked, and just how it would respond to any given set of circumstances. The picture that they had in mind was something like this:

Commercial banks were required by law to maintain reserves equal to a specified percentage of their deposits, in the form of deposit credits with the 12 Federal Reserve Banks.

Member banks were able to increase their reserve balances in various ways, but the approved method was by rediscounting eligible paper with the Reserve Banks. Eligible paper under the law consisted of obligations that the banks' customers had given them in the course of ordinary business borrowing. The Reserve Banks always stood ready to rediscount (that is, lend against) eligible paper, but the price that they would charge varied.

According to the accepted theory, if the Reserve Banks wanted to raise interest rates, they had only to raise their rediscount rates (which meant raising their lending charge). It was assumed that commercial banks always loaned the maximum amount that their reserve balances permitted. When rediscount rates went up, the banks raised their interest rates because their borrowing cost them more. If the rediscount rate went high enough, commercial banks would stop making new loans entirely



and would begin contracting their credit outstanding. Conversely, if the rediscount rate went down, commercial banks would be able to obtain reserves more cheaply and, theoretically, would adopt more liberal lending policies.

Reserve Banks could initiate changes in the credit situation by buying or selling government securities from their investment portfolios. When they sold government securities, either member banks or the depositors in member banks bought them, and the Reserve banks charged the price against the deposits of the members, thus reducing reserve balances. When the Federals bought governments, they paid by crediting the balances of members, thus increasing reserves.

According to the theories of the times, these powers put the Reserve Banks in a position to regulate the amount of money and credit in the economy so that it always would be precisely adjusted to the demand for it.

Those were wonderful theories while they lasted. But, as it appeared later, they made the fatal mistake of oversimplifying things. Beginning in 1929, they took a series of hard knocks that practically demolished them.

The first jolt was the 1929 crash and the Great Depression that followed.

Immediately after the stock market crash, commercial banks began to get into trouble. Some had lost heavily in the market. All suffered severely from the general depreciation of business credit that was part of the depression. When depositors started demanding their money, many banks found that even the best assets could not be liquidated in a hurry.

At first, depositors who were frightened about the solvency of individual banks merely transferred their money to other banks. But then they became suspicious of bank deposits in general and began demanding currency. And finally they reached the point where they distrusted the currency itself and clamored for gold.

The Federal Reserve System had been set up for the precise purpose of preventing currency panics. But for various reasons, it could not cope with this one.

One serious handicap was the strict definition of the kinds of paper that the Reserve Banks could accept as a basis for extending credit to the member banks. Another, more fundamental difficulty was the mechanistic operation of the gold standard. By law, the Reserve Banks had to maintain gold reserves of 40% against all currency that they issued and 35% against all deposits on their books. As the public drained off more and more gold into private hoards the Reserve Banks became less and less able to extend credit to the members.

To make things worse, the Reserve Board and all other government agencies were slow to recognize the storm that was brewing. In 1931 and 1932, when the situation was getting more dangerous each day, bank examiners, both state and federal, were insisting on the liquidation of loans that would have been perfectly sound if they had not been called at just that time.

The climax of the panic was the bank moratorium in March, 1933, and the abandonment of the gold standard. By the time the banks reopened, the period of terrified liquidation was over. It was succeeded by a period of stagnation and excessive caution that threatened to do almost as much harm as the panic.

As soon as the banks reopened, currency began to flow back out of private hoards. Simultaneously, the Reserve Banks began buying government securities with the idea of loosening up credit in general.

The result was a rapid rise in member bank reserve balances. And in succeeding years, reserves continued to grow, principally because they were fed constantly by large imports of gold. But member banks refused to follow the orthodox pattern and expand their loans correspondingly. Instead, they let the new balances lie idle, and gradually they got the habit of keeping a fat cushion of excess reserves at all times.

In 1937 the Federal Reserve Board tried to mop up some of the excess reserves by increasing reserve requirements. Member banks hastily liquidated earning assets rather than give up their excess reserves. The resulting break in the securities markets was one of the first signals of the 1937 recession.

WAR AND POSTWAR

FOR ANOTHER THREE YEARS, the banks rocked along quietly, staying out of trouble and keeping their portfolios clean. Then came the defense program and after that the war. From 1940 to 1945 the huge Treasury deficits that resulted from wartime financing changed the structure of the banking system almost as profoundly as the Federal Reserve Act had changed it 30 years before.

Purchases of government securities by the commercial banks—either from the Treasury or from private investors—are inflationary. The banks pay for the securities by creating new deposit credits on their books. This adds to

the money supply; when the Treasury spends the deposits, they become purchasing power in the hands of the man to whom they are paid.

The Treasury recognized this and tried to minimize the inflationary effects of its deficits by selling all the securities it could to private individuals, life insurance companies, mutual savings banks, and other investors. But the proceeds of such sales fell a long way short of covering the wartime deficits. Consequently, the Treasury turned to the commercial banks to make up the difference.

Early in the war, the Treasury and the Federal Reserve Board let the commercial bankers know that they would be provided with additional reserves as the war financing program went on, and that these additional reserves were to be fully invested in government securities. The banks were happy enough to fall in with this idea, quite aside from patriotic motives. It meant that they were able to expand their assets enormously (and thereby increase their income) without any increase in risk.

From the end of 1939 to the end of 1945, commercial banks ballooned their holdings of government securities from $16,316,000,000 to $90,606,000,000. In the same period, their deposits increased from $57,718,000,000 to $150,227,000,000.

The Reserve Banks provided the additional reserves to back this expansion of deposits by purchasing government securities in the open market. Reserve Bank holdings of governments increased from $2.5-billion at the end of 1939 to $23.7-billion at the end of 1945.

The Reserve System, however, went further than just supplying necessary reserves to member banks. Early in the war, the Federal Reserve Board made an informal promise to bankers to support the market for government obligations at par. Later it made a public commitment to maintain 2½% as the maximum rate on the Treasury's long-term bonds.

As a bond-selling device, the support policy was unsurpassed. But with the end of the war and the growing emphasis on checking the postwar inflation, it began to develop some embarrassing features.

On one hand, the commercial banks began to "reach out" for the longer-term, higher-yielding bonds. That is, they sold their short-term obligations and used the proceeds to buy long-term bonds from private investors. Thus, the process that Marriner Eccles, chairman of the Federal Reserve Board, called "monetization of the public debt" continued even after the Treasury had stopped raising new money. As long as the banks were sure that the Reserve System would support governments at par, it was only common sense to move from the low-yield short-terms to the better-paying long-terms. And as long as they were committed to support the market, the Reserve Banks had to buy all offerings of short-term securities that did not find private takers.

On the other hand, banks were also able to expand their commercial loans almost at will. They didn't have to worry about reserves to back the new deposit credits because they could always get more reserves by selling a few of their government securities.

In this situation, the Reserve Banks found that they could not use their orthodox methods of restraining bank credit and thereby checking inflation. By undertaking to support the market for governments, they had sacrificed their control over bank reserves. In one sense, all of the $70-billion or so of government securities held by the commercial banks had become excess reserves.

One way to get off the horns of this dilemma would be to scrap the support policy. And many bankers think that the Reserve Board should have done exactly that long ago. They argue that there is no good reason for keeping interest rates down any longer, and that the only way to stop the inflationary rise in prices is to shut off the expansion of the money supply.

But for various reasons, the Treasury and the Reserve System have clung to the support program. The Treasury is afraid that it would have to pay more money for debt service if rates went up. The Reserve Board is worried about the effect on public confidence if government bonds should go below par. And both are inclined to think that low interest rates are a good thing.

CONTROL OF CREDIT

EVER SINCE THE END OF THE WAR, the monetary authorities have been casting about for new methods of putting the brakes on the money supply.

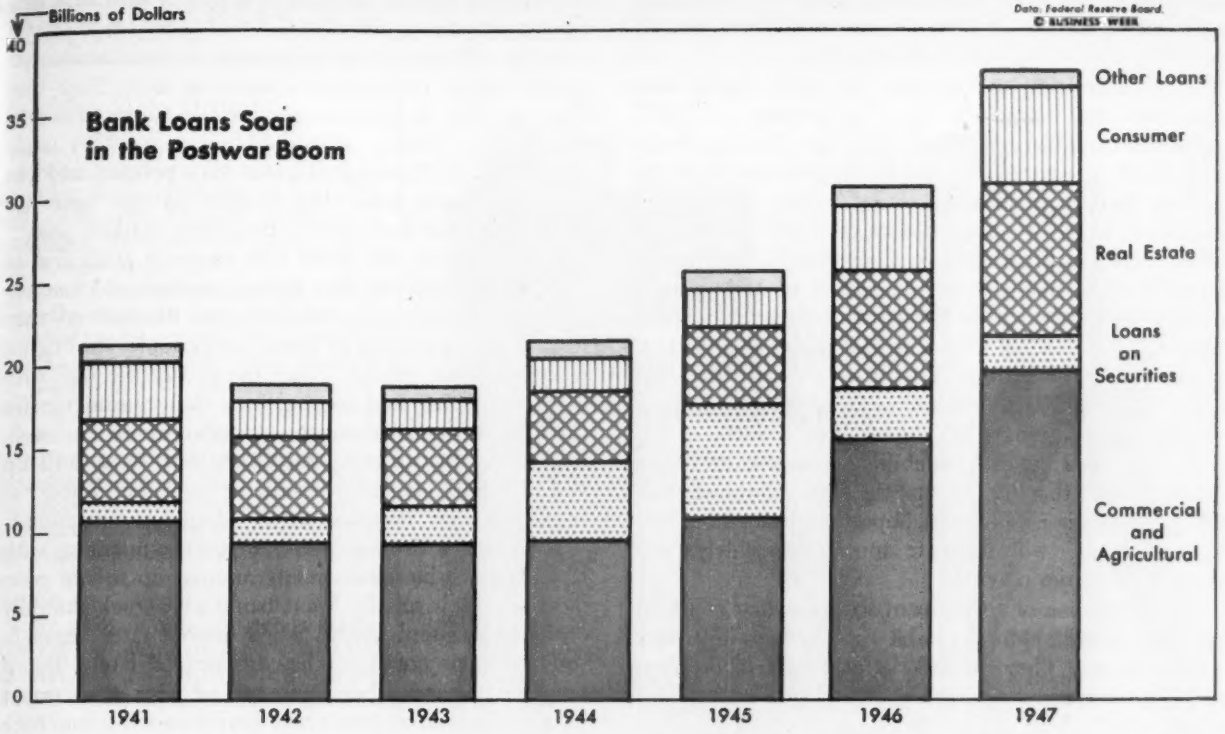
One device that they have used has been debt reduction. At the end of 1945, the federal debt totaled $278-billion. Of this, almost $200-billion was in the form of marketable public issues. Since then the Treasury has been whittling down the debt steadily—at first by drawing down the bloated balance it had built up in its general fund; later by applying budgetary surpluses to debt reduction. Today the total is down to $254-billion, the marketable public issues to $163-billion.

By concentrating its debt retirement on the issues held by the commercial banks and Federal Reserve Banks, the Treasury has been able, at least in part, to reverse the process of monetary expansion. In 1946 and early 1947 commercial bank deposits actually decreased about $15-billion. But in the second half of 1947 the effects of debt retirement were swallowed up by the increase in deposits that accompanied the expansion of loans.

With bankers hanging on every move in the government securities market, the monetary authorities also have tried using the market itself as a control mechanism.

In the summer of 1947 the Treasury decided, after much soul-searching, to let its short-term rate edge up a notch. In succeeding months the rate on 90-day bills climbed from ⅜% to almost 1%. The rate on one-year certificates has gone from ⅞% to 1⅛%, and may soon go to 1¼%. This made the yields on long-term issues comparatively less attractive, and so their prices started coming down. Late in the fall, the Reserve Banks began support-buying at prices two or three points above par. Then, on Christmas Eve, they dropped their pegs to just a shade over par.

The sudden drop in price was one of the worst jolts the money market has had in modern times. And for



commercial banks the effects were very sobering. Most banks had bought their government securities at a premium. Consequently, when prices dropped to par, almost every bank in the country found itself with a paper loss in its securities account. If the banks hold the governments until maturity they can amortize the premium against income and get the yield they originally figured on. But if they should sell the government issues, they will have to take the loss onto their books. This simple fact, even though it is only a matter of bookkeeping, has done a lot to make the banks hang onto their governments instead of selling them and using the proceeds to make additional loans.

From a long-run standpoint, however, measures of this sort are only extemporizing. The Reserve Board has no effective general-purpose mechanism of credit control comparable to the power over reserves that it had—or thought it had—before the war.

Monetary experts have worked out various schemes for restoring to the Reserve System the power it lost when it stepped out of its orthodox role as central banker and undertook to support the price of government securities.

One of these is the so-called Eccles proposal, now hanging fire before Congress. Under the Eccles plan, commercial banks, at the discretion of the Reserve Board, would be required to hold special reserves equal to a specified percentage of their deposits, in addition to the regular reserves now required by law. The special reserves could be kept either in cash or in short-term government securities. The effect of this measure would be to freeze a sizable portion of bank assets in short-term governments. This not only would limit bank lending power, it also would create an automatic demand for a large quantity of short-term Treasury obligations.

The Reserve Board also has been trying to get Congress to restore the power to regulate consumer credit that it exercised during the war. Congress has turned down the request once, but it might possibly come back to the idea later this year or next year.

Consumer-credit regulation is an example of selective or qualitative credit control, in contrast to quantitative control through manipulation of bank reserves as a whole. In one sense, the Eccles plan also would be a qualitative control measure, since it would single out the government-bond market for special treament.

Qualitative theories of credit control are much in vogue among the experts now. Even before the war, many students considered them superior to the old quantitative approach. Now that the Reserve Board has to nursemaid the national debt in addition to carrying its responsibility for regulation of credit, qualitative devices are getting still more attention.

FUTURE OF BANKING

So much for the present banking system and its relations with the government. We can now draw some tentative conelusions about the future of the system and its relations with its customers. These conclusions will have to be tentative because the banking system still is in the midst of a transition, and in many ways that transition is as fundamental as the shift from the national banking system to the Federal Reserve 35 years ago.

In the first place, we can say that there is practically no possibility of another banking collapse like the disaster of 1933. That isn't to say that there won't be bank failures or bad times for banking in general. In fact, the odds are that the number of bank failures will increase sharply

in the next few years. But barring atrociously bad management on the part of everyone concerned, there should never be another general banking panic.

The banks today are stronger and more liquid than they ever were before the war. The presence of FDIC generates confidence in them. And the Reserve Banks have ample powers to keep the banking system liquid by making loans and advances or by buying government securities. There is no possibility of a gold panic now because gold does not circulate. Theoretically, the Reserve Banks have to maintain a gold reserve of 25% against notes and deposits, but at the moment their reserve ratio figures out to about 50%. On that basis, the Reserve Banks could put another $40-billion or more into the credit base, and that $40-billion in additional reserves would support around $250-billion in deposits.

Having ruled out the possibility of another 1933, we can go beyond that and say that the total volume of bank deposits (which is the most important element in the money supply) will fluctuate much less widely, percentagewise, from now on.

The $70-billion of government securities that commercial banks now hold form a stable base for the whole bank asset structure. They will not be extinguished in times of deflation as commercial loans are. So the deposits that correspond to them will not be extinguished. Most of the volatility in the money supply will come from the expansion and contraction of commercial loans. But the repercussions of these changes will be softened by the stability of the government portfolio.

In fact, it is probable that bank investments in government securities will move contracyclically: In hard times, the government is likely to be running a deficit and increasing the supply of securities outstanding; in good times, it is likely to be retiring debt. This would offset, at least in part, the variations in commercial loans.

In this respect, the whole banking and credit structure is far better designed than it ever was before. The extinction of bank credit often has been one of the main causes of collapse and depression. It is too early to say that this could never happen again. But we can say that it is far less likely to happen, and that it will be far less serious if it does happen.

The change is not all for the good, however. While the banking system is less likely to contribute to depression now, it seems more likely to contribute to inflation. We have not yet devised satisfactory methods of dealing with the expansion of commercial loans. It may be that for some years, the biggest problem in monetary control will not be to prevent depressions but to avoid the consequences of over-easy money.

Eventually, however, the banking system may come up against another problem. That is the simple question of who are going to be its customers over the long pull. At the moment there is an intense demand for bank credit. But historically, business has been trying to get away from the use of short-term accommodation. It prefers to work with its own money, or with longer-term credit.

There is a real possibility that banks some day may find that business does not want the kind of credit they are ready to provide, but demands only a kind that they cannot provide—equity capital.

In the old days, banks did provide a certain amount of equity capital to business, sometimes more than they realized. Even in the late twenties, the money outstanding in brokers loans (around $7-billion in 1929) represented equity financing. Tighter loan policies and the divorce of banks from their security affiliates have just about taken the banks out of the equity markets now.

On the record, the banks have shown a good deal of ingenuity in adapting their lending methods to changing times. As the old self-liquidating paper disappeared, they worked out new types of loans—for example, lending on field warehouse receipts. Since the end of the war, they have moved bag and baggage into the consumer-credit business. In spite of tough opposition from the well-established finance companies, they now have built up a $2.7-billion consumer-instalment business where, at the end of 1945, they had only $742-million outstanding.

Even before the war, banks were experimenting with term loans to business—credits running up to ten years or so, repayable serially. Some banks were stuck painfully on these long-term credits when interest rates began to rise, and their popularity has dropped off lately. But if business borrowing begins to tail off after the current inflation has run its course, the term loan will come back with a bang and probably bring various cousins with it.

If Another War Occurs—

All of these conclusions presuppose one thing: There will be no war or armament program sufficient to make the government operate at a large deficit over any considerable period of time.

Nobody knows just what would happen to the banking system in another war. Much would depend on the temper of the country and the Administration. Banks might be nationalized. Or failing that, they might be required to take large blocks of no-interest Treasury obligations instead of the interest-bearing securities that were sold them during the last war.

One thing is sure, however: Everything else would be subordinated to the Treasury financing program. Commercial business of the banks probably would fall off as it did in the last war, because contractors would do most of their financing with government money. And the banks again would have to do what they were told, buy the securities that were offered them, and accept whatever return the Treasury allowed them.

READERS REPORT:

New Tax Date Urged

Sirs:

I believe that the letter of John E. Coolidge in your Readers Report column [BW—Apr.3'48,p56] is the most intelligent discussion of withholding taxes which I have read.

As one who has been entirely out of sympathy with the excessive taxes we have had in the country ever since the New Dealers took over, I was aware of the point which Mr. Coolidge makes as soon as the so-called Ruml Plan was adopted. While the plan, of course, has its advantage of making sure that the government gets its taxes, it certainly has been a question in my mind whether or not we are worse off because the plan itself simply drugs the average worker to sleep so far as any realization of taxes is concerned. . . .

I can think of only one system better than the old one of paying the final tax on Mar. 15 each year, when we all sweated it out and cussed the government for a few days. That would be to return to the old system, but have a final payment date on Oct. 15. This would be just two or three weeks before the November elections; and while people were still up in arms about the way Congress threw their money around, they would be in good shape to vote the tax spenders out of office on election day.

E. W. FERRY

PRESIDENT,
E. W. FERRY SCREW PRODUCTS, INC.,
BROOKPARK, OHIO.

Sirs:

Referring to Mr. John E. Coolidge's letter . . . I think another decided disadvantage is the fact that it [the withholding tax] is costing the employer for unproductive work—by that I mean many wage earners on an hourly basis who have pretty much control over their own hours.

The wage earner is concerned almost entirely by his net pay. Because the deductions are rather substantial, he may consciously or unconsciously put in more hours than he is entitled to. I refer, as an example, to truck drivers. Who can dispute an unearned hour per day? And that hour is invariably in the overtime bracket.

GEORGE E. FLIEHMAN

VICE-PRESIDENT,
FUEL OIL CO. OF ST. LOUIS,
ST. LOUIS, MO.

Base for Index

Sirs:

Your Business Week index sets up 1923-1925 as "normal." Other indices

use other years or periods. Sooner or later all are obliged to junk their index factor and jump ahead 5, 10, or 15 years to some later date which, at such time, may, in their opinion, be more representative of what should be looked upon as normal. This results in confusion, does it not? Should not our statisticians and public accountants figure out a system for determining what "normal" in which period would be good for all time?

Let me suggest that normal be a 20-year average and that corrections be applied yearly as soon as the performance for the concluded year is available. Thus the percentage relation index for 1947 would stand at, let us say, 140% of the 1926-1946 average, but 1948 would be related to the 1927-1947 average. It would require additional work but, in my opinion, would not be impossible and the results would be well worth the effort. It should not be too hard to take out 1926 and put in 1947. Graphs and indices would thus currently reflect a true picture when related to each other. At present some may relate to 1923-25, others to 1926, still others to 1913 and others to 1939 or 1940. A 20-year average would keep relationships in step with progress. It would iron out the bumps of down and up trends.

HUEY G. HUHN

TOLEDO, OHIO.

• There is no "normal" in our figures. We picked a base period simply as a bench mark, not with the idea of choosing 1923-1925 as a period of average prosperity. In fact, prior to the 1938 revision of our index, we computed our base line as normal-equals-100. Those figures allowed for computation of long-term growth. Most current thinking has veered away from any such concept of a computed normal.

There is one advantage of our index, as presently computed. That is it provides a fairly accurate weekly preview to what the monthly Federal Reserve index will record as the level of business activity.

Coal Suggestion

Sirs:

. . . Except for the steel industry, whose coal comes largely from captive mines, industrial consumers sit placidly waiting for someone to do something to keep coal coming to them. Few of them stock up for 60 or 90 days in anticipation of the periodic [strike] stoppages that always cost them money.

This hesitancy on the part of industrial buyers is largely because they do not know where to get extra tonnage: indeed they know very few of the hundreds of coals available to them, in terms of their use requirements. That is

Maybe money is the root of all evil

Money is fine—a great institution. We've got to have it to keep going. But it's a fluid thing, and it never stays very long in balance, where everybody's happy. Also, it means different things to different people. Industry works *with* money and labor works *for* money, and the two find it hard to reach a common viewpoint.

Too little money is bad, but too much money is worse. When there's more money in circulation than things to buy, such as now, prices and wages chase each other up a constant spiral. The great harm lies in the fact that *money* becomes more important than work. As a result, bickering and absenteeism increase, and the pride of workmanship and productivity of labor fall off. Under such circumstances, no business can improve its costs enough to turn the price spiral downward.

There's only one way to look at money. It's not the key to prosperity; it's only the symbol. Production is the key, and money is worth only what it will buy. For industry, it has to buy an honest day's worth of quality work *every* day—the most of the best that labor can produce. When that happens, and it has to happen *first,* every dollar in a paycheck will be worth a lot more, too.

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why they do not stock up sufficiently to out-wait the miner.

Industry has only to show more staying power; to make the miners go hungry a few times by being prepared for stoppage, to make them appreciate the very good working conditions they have. And the facts are available on which to buy additional tonnage, if industry wants to use it to head off higher coal costs.

ROY EMMERT
INDUSTRIAL COAL COUNSELOR,
WESTERLO, N. Y.

Coal Output Figures

Sirs:

In connection with an industrial management course at the University of Maine, I have been recording bituminous coal production, under your "Figures of the Week" [page 13].

Since production was still rising, as recorded in your Mar. 27 issue, I would be interested to know why the coal strike (then 11 days old) had apparently not cut production.

AMOS J. CARR, JR.
ORONO, ME.

• "Latest Week" for the bituminous coal production series, as given to us by the Bureau of Mines, is two weeks before the date of issue. Therefore, the figure in the issue of Mar. 27 was for the week ended Mar. 13—before the strike.

Porcelain Buildings

Sirs:

I have read with interest your report on White Castle porcelain steel buildings [BW—Mar.6'48,p36].

If you will please investigate, I think you will find that the Dresser Manufacturing Co., Tulsa, Okla., was producing porcelain-enameled steel buildings in 1930 and that a considerable quantity of these buildings were sold to Shell Corp. for service station use. This construction was considered to be portable and, to my knowledge, most of the buildings are still in use at the original sites.

FRED K. SHERK
CERTIFIED PUBLIC ACCOUNTANT,
GRAND RAPIDS, MICH.

• The Dresser Engineering Co., of Tulsa, Okla., operating through a factory at Ellwood City, Pa., started in 1933 the manufacture of porcelain-enameled steel buildings. These were mostly small buildings such as oil and gas filling stations, general commercial structures, and a few porcelain-enameled store fronts. Preparedness for war shut off its supply of steel in 1941, and it was compelled to close its plant. The plant did not reopen after the war.

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Only a Prosperous America Can Be Free

DURING MAY 50 million American workers will get from the Congress of the United States a real incentive to work.

This incentive is called a tax cut. Beginning May 1, the withholding tax on incomes will be reduced, giving everyone a much-needed increase in take-home pay.

But the tax cut will have a far more important effect. It may be literally a life-saver for American employment and production—and, hence, for the stability of the world. It will help to do two things which must be done if our economy is to continue to furnish good jobs and good earnings.

1. *It will generate part of the private funds for investment in common stocks—the "risk capital" which we need to sustain prosperity.*
2. *It will provide part of the incentives necessary to make American business management still more effective.*

These two predictions are not advanced as matters of opinion. They are based on facts reported by McGraw-Hill field editors.

These facts show why the reductions in upper bracket income tax rates are most significant for our continued prosperity. For the first time in more than twenty years the tax burden on people who can afford to risk their savings has been lightened. To find out what this will mean to the economy, McGraw-Hill field editors all over the nation asked a group of business executives making $15,000 a year or more how they will use the money which the tax cut gives them. Here is what they said:

1. They plan to save—not spend—three-fourths of the money they keep as a result of tax reduction.
2. They plan to invest one-half of these savings in common stocks. If all persons making over $15,000 follow this pattern, they will make available about a half billion dollars of risk capital for American industry.
3. They also will switch some of their present savings from bonds and bank accounts to common stocks. This might easily add a billion dollars or more to the supply of risk capital.

The one-half billion dollars of tax savings and

WHAT THE TAX CUT WILL DO

What will upper bracket taxpayers do with their tax savings?
What can business expect as a result?

TO ANSWER THESE QUESTIONS, McGraw-Hill field editors interviewed a carefully selected sample of business executives earning $15,000 a year or more. Here, for the first time, are solid facts that show how tax reduction will effect the supply of risk capital and business incentives. These are the results:

1) How much of your tax reduction will you save?	74%
2) How much of your tax savings will you invest in common stocks?	52%
3) Will lower taxes lead you to switch some of your investment in bonds to stocks?	Yes 28%
4) Have you passed up an opportunity to invest in a new business in the last five years because the return after taxes did not justify the risk?	Yes 40%
5) Will lower taxes make you more inclined to take a risk on a new business?	Yes 80%
6) Have you turned down the opportunity to take a bigger job in the last five years because taxes would take too much of the additional income offered?	Yes 13%
7) Do you know of actual cases of executives who have turned down bigger jobs or more work because of taxes?	Yes 38%
8) Will lower taxes make you more inclined to take on a bigger job or more work?	Yes 59%

the funds switched from other investments into common stocks is not enough to end the shortage of risk capital. But it is a start.

Before passage of the tax law, risk capital had been growing increasingly scarce.

One measure of the scarcity is that last year only four-tenths of 1% of national income went into new common stocks. In 1925, a year of normal prosperity, almost 3% of national income was invested in new common stocks.

Another measure is that between 1940 and 1947 people actually reduced their holdings of corporate stocks and bonds by nearly a billion dollars. During the same period, people salted away almost $150 billion in such safe havens as cash, bank deposits, and government bonds.

This drought of risk capital hit us just when we need a vastly increased flow of risk capital to finance the expansion and improvement of our American productive machine. We need risk capital to search for new oil fields and to build new pipelines and refineries. We need capital to expand our overloaded electric and gas utilities. We need it to finish re-equipping our airlines and railroads and bus lines. We need it to modernize our textile production. We need it to keep pace in the magical, booming chemical industries. We need it to launch the new industry of television.

We need capital for all this work and for much more besides. And we must do all this work if we are to keep the United States dynamic and if we are to create new and better jobs.

The tax cut comes just in time. As the last editorial in this series showed, the flow of risk capital must double or triple if we are to avoid a cutback in industrial expansion next year. A major reduction in industrial expansion because of a shortage of risk capital would menace our prosperity. Whenever capital expansion has sagged, the whole economy has sagged. That is the record. That is why every American has a crucial interest in breaking the shortage of risk capital.

The tax reduction now going into effect helps relieve that shortage. In my opinion, we need still other tax changes to assure enough risk capital for healthy industry and healthy employment.

We should encourage the rapid depreciation and replacement of plants and equipment to keep America efficient.

We should eliminate the double taxation of stockholders' incomes.

We should permit full averaging of good years and bad in calculating income tax payments.

We should cut tax rates again as soon as we can.

The tax cut of 1948 will prime the flow of capital. We must keep it flowing.

The tax cut also encourages our successful men and women to work harder and more effectively.

The McGraw-Hill editors collected some solid facts to show how seriously heavy taxes have discouraged business leaders. Here they are:

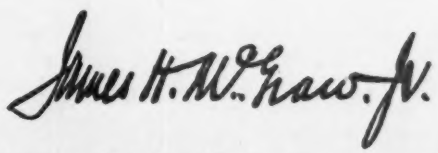
1. One out of seven persons the editors questioned said that they had turned down positions with greater responsibilities because heavy taxes would take most of the greater pay that went with the harder job.

2. Six out of ten executives would be more inclined to accept a more responsible job now that taxes will let them keep more of the added pay such a job would bring.

We all have a stake in incentives which make men work harder, especially talented men. The more we each work, the more we all have.

The tax reductions so far made will leave the government more than enough revenue to meet all its expenses, including the proposed defense expenses, and still reduce the national debt. If more defense money becomes necessary, vigorous economy on less essential government expenses will make possible both stronger military defenses and a better tax system. We need both.

Only a prosperous America can be strong enough to remain free—and to help keep the rest of the world free.



President, McGraw-Hill Publishing Company, Inc.

THIS IS THE 67TH OF THE SERIES

FINANCE

Air Transport Problem: More Gross But Less Net

	1939		1946		1947	
	Gross Revenue	Net Profit	Gross Revenue	Net Profit	Gross Revenue	Net Profit
American	$15,071	$1,468	$68,083	D$376	$81,731	D$2,963
Braniff	1,749	44	10,507	34	11,047	D1,149
Chicago & Southern	791	70	8,221	D1,006	8,041	D800
Continental	*301	*20	*3,952	*312	4,445	100
Eastern	7,600	884	41,825	4,505	52,265	1,259
National	*229	*2	9,336	761	10,179	D865
Northwest	*2,595	*D112	*15,469	*989	26,579	D1,141
Pan American	20,481	1,984	113,180	2,983	135,330	E2,960
Penn-Central	1,857	53	17,867	D2,551	19,226	D2,652
TWA	8,308	107	57,361	D14,353	78,521	D8,080
United	12,461	777	64,948	1,087	69,038	D3,774
Western	1,387	75	11,891	D943	12,376	D945

** Fiscal years ended June 30. D Deficit E Company estimate*

Bad Year for Airlines

Despite record gross revenues, industry's 1947 loss was $20-million, a new low. Government policies and overoptimism blamed. Outlook for 1948 not much better; costs continue to rise.

Last year was the biggest for corporate earnings this country has ever known. But you would never have thought so if you made your living in the airlines business.

Instead, for the domestic air transport companies, 1947 proved the worst year in history. Only four of the nation's 16 certificated carriers were in the black. And the trade as a whole chalked up an aggregate loss of well over $20-million; in 1946, hitherto the poorest year, the loss was $8-million.

The airways' Big Four (American, Eastern, TWA, United) were especially hard hit. Eastern was the only one that didn't have to pay out more than it took in last year. For the other three lumped together, costs outran receipts by some $14.8-million.

• **Big Business**—The industry's bad profits showing last year wasn't because 1947 revenues fell (table, above). Actually, the nation's airlines were busier last year than ever before—and they took in more money. For example:

Passenger-miles added up to over 6-billion for the first time in history. This compares with some 5.9-million in 1946, less than 3.4-billion in 1945, and only 678-million back in 1939 (when operating deficits were few and far between). What's more, 1947 airline passenger-miles were nearly half as large as those chalked up last year in railroad Pullman travel. The closest they had ever been before was in 1946, with a ratio of 28.8%

Nonpassenger services in most of the trade showed new highs too, the Air Transport Assn. reports. Domestic air freight shipments, for instance, soared 143.5% above 1946 levels to a new top of over 35.1-million ton-miles. Express ton-miles were up 20.2% to another new high of 28.5-million. And even air mail, the only traffic that lagged in 1947, dropped less than 1%.

• **Two Helps**—Two factors helped get gross revenues up: (1) Passenger tariffs were boosted twice last year—10% in the spring, another 10% in December, and (2) temporary adjustments in basic mail rates of several companies lifted mail receipts above 1946, despite the slight drop in ton-miles.

As a result, total operating revenues of the nation's certificated air trunk lines reached a new high of some $369-million in 1947. In 1946, the former peak, they hit $322-million. In 1945, the industry's last big war year, when profits of the group exceeded $16-million, gross income came to only $204-million.

What has caused this paradox of ever-rising revenues and ever-mounting operating deficits?

• **Mail Rates**—Airline officials lay much of the blame to government policies. They point their most accusing finger at the mail rates allowed the major air

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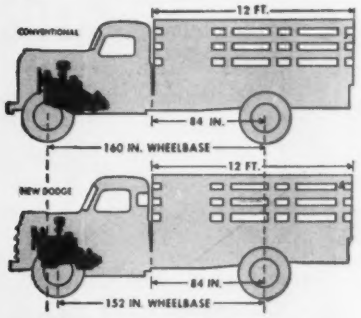
Wheelbase	152 in.	161 in.	158 in.	159 in.	161 in.
Cab-to-Axle—to take 12-foot body	84 in.	84 in.	84.06 in.	84 in.	84 in.
Wide-Tread Front Axles (shorter turning—more stability)	62 in.	56 in.	60.03 in.	58⅜ in.	56 in.
Modern "Cross-Type" Steering	Yes	No	No	No	No
Turning Diameter * —Left	50½ ft.	61½ ft.	60½ ft.	54½ ft.	66½ ft.
—Right	50½ ft.	61½ ft.	54½ ft.	54½ ft.	66½ ft.
Maximum Horsepower	109	93	100	93	100
Total Spring Length (Front and Rear "Cushioned Ride") †	194 in.	171⅛ in.	162 in.	176 in.	182 in.
Cab Seat Width (Measure of Roominess) ‡	57¼ in.	52¼ in.	51½ in.	47½ in.	52¼ in.
Windshield Glass Area ▲	901 sq. in.	713 sq. in.	638 sq. in.	545 sq. in.	713 sq. in.
Vent Wings plus Rear Quarter Windows	Yes	No	No	No	No

* To outside of tire (curb clearance.) Computed from data based on tests or computations obtained from usually reliable sources. † All four springs. ‡ Measured from production models. ▲ Computed from width and depth measurements; no allowance for contours.

Better Weight Distribution Easier Handling Shorter Turning Diameters



Front axles have been moved back, engines forward, placing more load on the front axle. While cab-to-axle dimensions are the same, wheelbases are shorter, giving better weight distribution, and increased payload.

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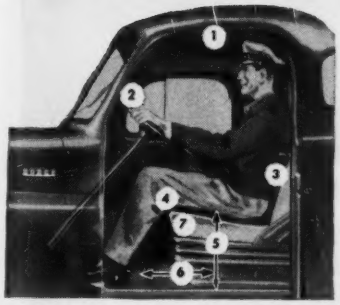

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lines. This is a bitterness of long standing. It goes back to action taken by the Civil Aeronautics Board in 1945, when CAB reduced the service mail rate of the trunk lines 25%, or from 60¢ to 45¢ per ton-mile. Adjustments that have been made since haven't been enough to stop the grumbling.

• **Cohu's Stand**—On this point, LaMotte T. Cohu (picture, below right), president of TWA, has made no bones about his wrath. (He has just announced he will resign on June 1.) According to Cohu, "not only has the service rate for the carriage of mail been below that required by the costs of rendering the services required . . . but the rate has been far below that required by the dictates of Congress" expressed in the Civil Aeronautics Act of 1938.

That act, as Cohu interprets it, "clearly stated" that air mail rates "must reflect the need of each carrier for compensation for the transportation of mail, sufficient to insure the performance of service under honest, economical, and efficient management, as well as to maintain and continue the development of air transportation to the extent required for national commerce, the postal service, and national defense."

What's more, Cohu claims that if TWA's mail rate last year had been as high as its wartime rate, the company could have cut its 1947 loss by $1,150,000. And if the 1939 air mail rate had been applied last year to both TWA's domestic and foreign mail carriage, he reports, his company would have shown a $3.5-million profit, instead of an $8-million loss.

• **Another Factor**—But mail rates aren't the airlines' only bogey. Even Cohu admits, as do most airline officials privately, that the industry's own mistakes have had a lot to do with its sad postwar profit showing.

High on its own black list, such officials would rate overoptimism—a result of the trade's spectacular wartime showing. During the war, annual gains of 50% in passenger business became almost commonplace. In estimating postwar expansion programs, many official planning boards let their imaginations run wild. By late 1945, with passenger-miles still below the 3.5 billion mark, experts were dreaming of a passenger potential ranging from 6-billion to 25-billion passenger-miles. Some carriers even placed orders for equipment based on the 25-billion estimate.

That overoptimism accounted for another cause of trouble: the heavy overstaffing in the early postwar years. At one time, this resulted in as many as 129 workers per plane, vs. 53 per plane in prewar days.

And, of course, there was the perennial management problem of recurring demands for higher wages right down the line.

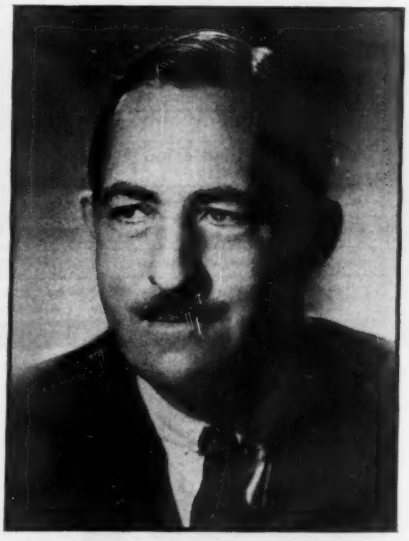
• **Equipment and Supplies**—Other factors can't be laid altogether to mistakes of management—though you could argue that they might have been foreseen. For one thing, new equipment—so essential in the days after the war—has sharply raised depreciation charges. These charges will rise still further during 1948 at least, as deliveries come through in the months just ahead.

But it's not only in higher depreciation charges that new equipment has proved a heavy burden. The cost of equipment itself has gone steadily up, too. Planes that were expected to cost around $550,000 when ordered have cost $800,000 by delivery day.

Operating costs, besides payrolls, have been mounting rapidly. Gas and oil cost more in 1947 than they did in 1946. And airlines expect to have to pay 50% to 80% more for such supplies this year than last year—when the industry spent some $34-million for oil and gas.

• **Tough Job**—All in all, a lot of unfavorable factors have hit the airlines. Naturally, the industry hasn't taken the blows sitting down. But the task of warding them off has proved tough.

Take personnel: In 1947 the lines sliced off about 11% of their staff. But there was no corresponding cut in payrolls, which normally account

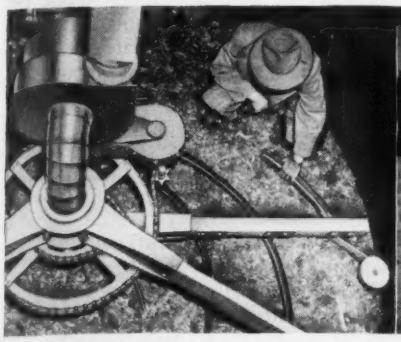


LEAVING June 1, LaMotte T. Cohu will give up his post as president of Transcontinental & Western Air, Inc. His reason: completion of "the job I undertook last year . . . following the resignation of TWA's then top management . . . to lead TWA onto firmer ground" (BW—May3'47,p73).

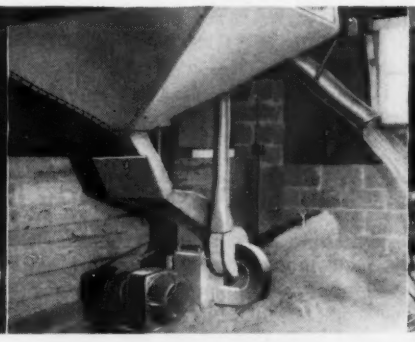
There are rumors that Cohu will become Consolidated Vultee Aircraft Corp.'s next president. Floyd B. Odlum, Convair's board chairman, said this week that he would be "delighted" to talk it over with Cohu, but the decision is up to Convair's board.

IT'S A "PUSH-BUTTON" FARM AGE IN NORTHERN ILLINOIS

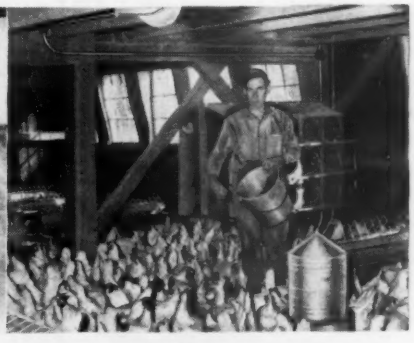
With electricity available to 96 per cent of its farms, Northern Illinois is pioneering and developing many progressive farming methods. Close cooperation of our trained agricultural engineers with manufacturers, farm organizations and farmers themselves has resulted in numerous labor-saving innovations which are increasing production and making the farmer's job easier. Below are a few of these developments.



***SILO UNLOADING** is a snap with this automatic unloader which claws the silage loose, then blows it down to a feed cart below while the farmer is doing another chore. Saves five days of work a month on many farms!*



***FEED GRINDING AND MIXING** for cattle, sheep and poultry is another "push-button" job. With grinder, mixer and well-placed chutes and bins, you just put in the right ingredients, and flick the switch . . . the job's done.*



***EGG PRODUCTION** is up, with time-controlled lighting, water warmers, and poultry-house ventilators. These aids all contribute to increased egg volume in the fall and early winter when prices are highest.*

***WATER** when and where needed, and in the right amounts, is provided by "push-button" irrigation. Overhead, open ditch, or lightweight on-the-ground pipe systems make truck gardeners independent of the weatherman.*

***HAY DRYING SYSTEMS** permit speedy mowing away of leafy, green, high-moisture and vitamin content hay . . . the kind that produces more milk. It is efficiently dehydrated by air forced through ducts in the mow.*

***PORK PRODUCTION PROFITS** begin at farrowing time! Electric pig-brooders help more pigs reach weaning age . . . help decrease the 33⅓ per cent pig mortality rate, and send more pork to markets for sale and profit.*

Forty per cent of America's farm output, in dollar value, is produced in—or within an overnight ride of—Northern Illinois. Chicago has become the hub of the world's greatest packing and food storage industry, as well as the largest single live animal market. Because the Middle West is the nation's granary, Chicago and Northern Illinois is a huge grain distributing center. As focal point for the nation's transportation network, the food wealth of the fertile upper Mississippi prairies and livestock from the western ranges flow into this area. Agriculture and industry are partners in Chicago and Northern Illinois.

This is one of a series of advertisements on the industrial, agricultural and residential characteristics of Chicago and Northern Illinois

TERRITORIAL INFORMATION DEPARTMENT

Marquette Building—140 South Dearborn Street, Chicago 3, Illinois—Phone RANdolph 1617

COMMONWEALTH EDISON COMPANY • PUBLIC SERVICE COMPANY OF NORTHERN ILLINOIS

WESTERN UNITED GAS AND ELECTRIC COMPANY • ILLINOIS NORTHERN UTILITIES COMPANY

for 50% of the airlines' operating costs. Last year's wage increases ate up the savings that such a cut might have effected.

• **Bright Spots**—The picture isn't entirely black. Some fiscal improvement is looked for this year. These factors will help:

PASSENGER FARE RATES will be up sharply above 1947 rates.

AIR MAIL RATE boosts of 35% have been granted to five major carriers; other increases are expected soon.

THE DC-6's which were grounded from November, 1947, to March, 1948, are in the air again.

AIR FREIGHT SHIPMENTS are still expanding.

Helping the over-all 1948 earnings picture also is the fact that first-quarter operating losses for many lines were far less than in 1947.

• **Doubtful Prospects**—Even so, the chances that the airlines industry will be in the black this year look slim. Past operating losses, the need of so much cash for working capital, and the high cost of new equipment are still factors to contend with.

Few Wall Streeters seem very happy over the industry's near-term outlook—as reflected in the stock market. Despite some recent strength, Standard & Poor's airline stock index still shows a recovery of only about 6% from the low touched since the bull market in these shares collapsed late in 1945. That's a much-less-than-average recovery.

High Earnings Bring "New Cash" Needs

These days, as never before, it takes money to make money. Even blue-chip companies, to pile up their recent profits, have had to find large amounts of new capital—temporary or permanent, often both.

This is easy to see in the sampling below. It shows the sharp rise between Dec. 31, 1944, and Dec. 31, 1947, in the outstanding bank loans, funded debt, and/or capital stock of 25 representative corporations. And the figures in the table actually undershoot the full amount of new capital from stock issues in several instances. Reason: The listings shown are par values, and in some cases the stock has been sold well above that. Such premiums are always credited on the books to "capital surplus"; they are never reflected in the "capital stock" account.

(In Thousands of Dollars)

	Funded Debt and Bank Loans		*Capital Stock Outstanding*		*All Funded Debt, Loans, and Stock*		
	1944	*1947*	*1944*	*1947*	*1944*	*1947*	*% Gain*
Air Reduction Co.	$9,375	$30,500	$27,975	$27,975	$37,350	$58,475	56.5%
American Optical	none	7,750	17,911	17,911	17,911	25,661	43.3
American Tobacco	194,833	471,742	171,297	189,503	366,130	661,245	80.6
Caterpillar Tractor	none	27,000	23,145	23,145	23,145	50,145	116.6
Fairbanks, Morse	none	20,000	13,071	13,071	13,071	33,071	153.0
Food Fair	3,719	8,639	1,082	2,406	4,801	11,045	130.1
Robert Gair Co.	3,305	11,250	5,512	8,406	8,817	19,656	122.9
General Electric	none	200,000	180,287	180,287	180,287	380,287	100.9
General Foods	none	27,613	70,400	80,400	70,400	108,013	53.4
General Motors	none	125,000	624,607	724,607	624,607	849,607	36.0
Goodyear Tire & Rubber	51,090	104,356	72,082	70,552	123,172	174,908	42.0
Gulf Oil	51,443	184,750	226,905	283,631*	278,348	468,381*	68.3
Heyden Chemical	none	6,656	4,917	10,164	4,917	10,164	106.7
Int'l Business Machines	17,000	50,000	35,163	36,918	52,163	86,918	66.6
Int'l Detrola Corp.†	none	7,543	490	1,222	490	8,865	1,709.2
Kimberly-Clark Corp.	10,500	20,400	32,241	45,241	42,741	65,641	53.6
Liggett & Myers	68,387	163,000	99,297	99,297	167,684	262,297	56.4
Nat'l Cash Register	1,800	30,000	24,420	24,420	26,220	54,420	107.6
Rayonier, Inc.	4,292	20,742	16,619	16,649	20,911	37,391	78.8
R. J. Reynolds Tobacco	77,500	194,000	100,000	149,000	177,500	343,000	93.2
Rheem Mfg.	1,775	4,000	2,873	3,840	4,658	7,840	68.3
Spiegel, Inc.	none	19,000	12,551	12,899	12,551	31,899	154.2
Union Carbide & Carbon	21,000	150,000	192,880	193,061	213,880	343,061	60.4
United States Rubber	30,000	101,000	82,700	82,719	112,700	183,719	63.0
Westinghouse Electric	50,000	130,000	160,328	220,701	210,328	350,701	66.7

**Includes 2,269,050 shares of new stock sold in early 1948. †Oct. 31, 1944 and 1947.*

BIG JOB for Earnings

. . . meeting your BIG and GROWING NEED for Oil!

The better you live, the more oil you need.

Today—3 million more cars are on the road than pre-war. 1,500,000 more homes have oil heat. Five times as many diesel locomotives now. Twice as many farm tractors and trucks.

More *oil* spells more ***progress.***

***But*—this rising need for oil can be met only by modernizing and expanding on a big scale—and in a hurry in spite of today's high costs.**

To do this job, Standard Oil Company (New Jersey) and its affiliates are spending ***one billion dollars*** in 1947 and 1948 alone—for new wells, plants, tankers, pipelines, storage tanks, and all the other things it takes to get you the oil you need.

That billion dollars is money that goes back into the business from earnings, past and current.

In 1947, for instance, we put 426 million dollars into replacements and expansion. To do this, we:

(1) used all funds set aside to replace worn-out equipment;

(2) ploughed back well over half the year's profits—all that was left after paying dividends; and

(3) dipped heavily into savings put aside in years past to help meet just such needs as we face today.

In the seven years 1940 through 1946, we spent well over one billion dollars for needed equipment, mostly for war needs. Now, ***in just two years,*** we are spending ***another*** billion dollars. This money comes from the business itself. ***Money made on the job goes back into the job.***

Profits we reinvest for needed production facilities work for everybody. They pay for the capital investment that we must make *today* to get you the oil you need *tomorrow.*

STANDARD OIL COMPANY (NEW JERSEY)

RESCUER MUNTZ: Thanks to the "Madman," Los Angeles will continue to have . . .

Veterans' Cabs

Los Angeles' ex-G.I. taxi drivers have been bailed out in the nick of time. But elsewhere the picture is spotty.

Veterans Transit Corp. of Los Angeles is exchanging its name for a new lease on life. It is about to become Muntz Cab Co.—after Earl "Madman" Muntz, whose zany promotional methods parlayed a used-car lot into a fortune of several million dollars during the war (BW—Mar.20'48,p90).

• **On the Ropes**—Muntz got into the act a few weeks ago, just in time.

Like many another veterans' cab company, Veterans Transit Corp. started with high hopes (BW—Aug.3'46,p31), fell on lean days. When Muntz came through with more than $200,000 in cash, its cabs were off the streets, its 325 drivers were looking for other jobs. And the city was about to hold a hearing on possible revocation of its charter.

• **Beginnings**—The cab company set up shop in 1946 on $23,000 pooled by 106 veterans. To get their franchise the veterans had to wage a long fight against the local Yellow Cab Co., which had an exclusive franchise from the city.

Almost immediately the inexperienced veterans were in financial hot water. So Union Oil Co.—whose sales to Veterans Transit were $150,000 a year—began loaning them money. It also guaranteed a $150,000 bank loan. The cabs grossed from $85,000 to $90,000 a month—but losses ranged up to $39,000. With $500,000 in the ven-

ture, Union called it quits last month.

• **Rebirth**—Muntz showed up with enough cash to wipe out the bank loan and provide some working capital. Now the cabs are rolling again and the city has called off its hearings.

With Muntz as president, the veterans hope to operate in the black soon. The company will shortly save some $9,000 a month by carrying its own insurance. And it hopes to lick Yellow Cab's monopoly of downtown stands with a two-way radio system.

• **Elsewhere**—News about veterans' cab companies is typically spotty.

In Philadelphia no veterans' cabs are on the streets today—despite a cab shortage, and the backing of the public and two successive state governors.

The veterans began their uphill battle two years ago. First the State Public Utility Commission refused to franchise their cooperative G.I. Taxicab Assn.

Then it turned down individual applications from the 100 veterans. P.U.C. admittedly prefers to supervise the Yellow Cab Co.'s near-monopoly instead of a flock of owner-drivers.

The main hope of the veterans now lies in current hearings before the State Superior Court.

Pittsburgh's Peoples' Cab Co. is having troubles of a different sort. It has a franchise from P.U.C., runs 42 cabs. But a former president has filed an equity suit against it.

In San Francisco, Veterans Cab Co. has shown a small profit, has no large obligations, and by spring will have its 34 cabs paid for.

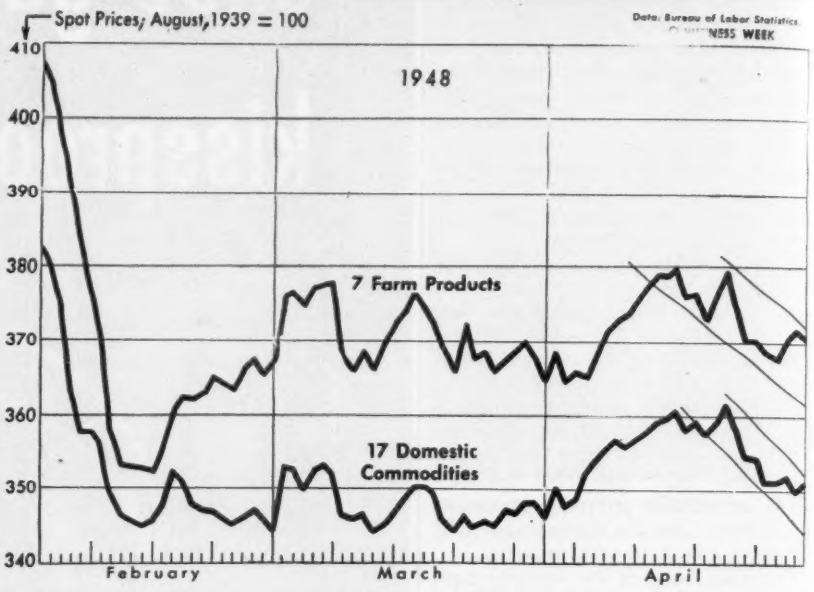
In Chicago, the veterans have won a partial victory. Chicago Yellow Cab Co. and Checker Cab Co. of Chicago claim the right to the first 1,071 new cab licenses under a 1937 ordinance, but have finally agreed to a new ordinance allowing veterans 950 licenses.

However, the new rule provides that no company name—only the driver's name and phone number—can go on the sides of the 950 cabs. The veterans in three mutual, nonprofit cab companies are fighting this proviso and another requiring them to carry more insurance than their two big rivals.

• **Antitrust Suit**—The squabble over veterans' cabs may upset the national pattern of taxicab operation. The Dept. of Justice moved into the Chicago picture in 1946; after legal snarls, its resulting antitrust suit will finally get under way this month.

Defendants include the two Chicago cab companies, plus Checker Taxi Co., Checker Cab Mfg. Corp., Parmelee Transportation Co., and Cab Sales & Parts Corp. Among other things, Justice cites the buying practices of cab operators in Chicago and other big cities, and city ordinances limiting the number of cabs. It says they interfere with the interstate market for cabs.

THE MARKETS



Spot Prices Turn Down

War scare boomlet peters out. But wholesale and industrial raw materials prices are still going strong. Wall Street traders wait to see how stocks will be affected by commodities.

Commodity market action should answer soon one big question on inflation: Has the stand of the steel and electrical equipment industries—cutting prices and resisting wage increases—nipped off the latest upward spiral of prices?

The answer to that question will be a major factor in business planning. It also will go a long way toward determining what is ahead for the stock market. But, as yet, swings in commodity prices have given no conclusive sign one way or another.

• **Spot Trend?**—The closest thing to a trend so far shows up in spot markets. Here farm prices have been very nervous ever since the first cut in steel quotations. This weakness has spread to some other commodities. The result is a fairly sharp spill over the last half of April—although by no means as steep a drop as that last February (chart, above).

Working against a general decline in commodities is the relative strength in the raw materials used by industry. Many of these, especially the metals, are more inclined to go up than go down. The Bureau of Labor Statistics index of spot prices of 16 industrial commodities rose slowly but steadily all through April.

• **Boomlet Dead**—This much is obvious, though: The upward rush of prices that was touched off by the war scare early in April has petered out. Spot prices of farm and food products are now back about where they were at the beginning of the month. And the main reason for the collapse of this abortive boomlet is the firming stand of industry against a third round of wage and price increases.

Commodity traders aren't used to the spectacle of a promising rally falling on its face. In their disappointment, many are swinging over to the bearish side. If a war scare won't put prices up, they say, then the boom must be

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	153.0	152.6	150.3	142.9
Railroad	48.5	48.1	45.5	40.5
Utility	69.8	69.8	68.7	74.6
Bonds				
Industrial	120.3	119.6	119.5	123.4
Railroad	106.8	106.9	105.7	112.0
Utility	118.7	118.2	114.1	112.8

Data: Standard & Poor's Corp.

over for sure. In that case, prices are more likely to go down in the future than to hold steady.

That's rushing things, though. It is still too early to start writing obituaries for the commodity price inflation.

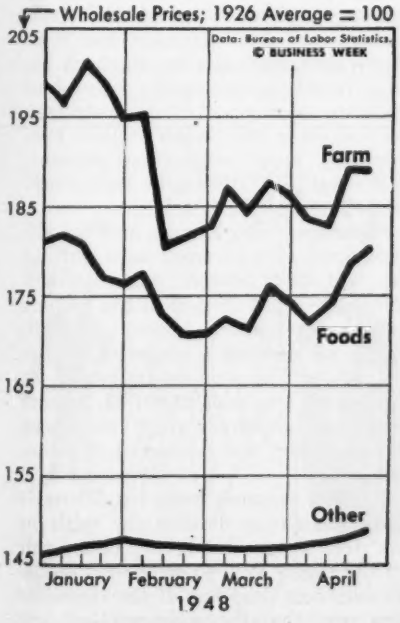
• **Wholesalers Up**—For one thing, the effects of the drop in spot prices in the last half of April haven't filtered through to the wholesale markets yet (chart, below). Farm prices at wholesale leveled off toward the end of the month, but they did not come down significantly. And wholesale food prices were still climbing.

Other wholesale prices, moreover, have been inching upward without a halt. The February break in the spot markets scarcely made a dent in them. And by mid-April, the BLS index had topped its January high.

If spot prices keep on dropping, wholesale prices will have to turn down too, sooner or later. But it will take more than just a little weakness in the farm and food groups to get the wholesale prices of other commodities really down.

• **Stocks**—As far as the stock market is concerned, about the best thing that could happen would be a period of stability in commodity prices. It's obvious by now that stock traders don't consider inflation a bullish factor. If they did, they would not have let the market flounder along sideways for the better part of the past two years. On the other hand, a real collapse in commodities is more than likely to drag the stock market down with them. That was what happened in the February break.

Hence, stocks probably will stand their best chance of getting somewhere if commodities are quiet and steady. That would allow traders to appraise business prospects without worrying about what the cost-price spiral might do to profits.



WHOLESALE PRICES haven't yet developed the spot curve's weakness

The Street's Strike Ends

If business takes you today to the New York Stock Exchange Building, you no longer have to pass through militant, jeering picket lines. All you have to dodge now at the corner of Broad and Wall is normal sidewalk traffic.

For late last week, after a lapse of 31 days, leaders of the United Financial Employees (A.F.L.) finally concluded that they might as well call off their strike against the Big Board. And their immediate-return-to-work motion was quickly O.K.'d by a 5-to-1 vote of union members.

• **No Gains**—The U.F.E. could chalk up no real gains from the strike—the first serious labor trouble the 155-year-old exchange has ever known. The strike netted members no important wage increases or union security benefits. And as a strike result, it looks as though 50 to 100 of the Union's Big Board workers may lose their jobs soon. That's because the exchange worked out more efficient trading procedures while some of their workers were picketing outside.

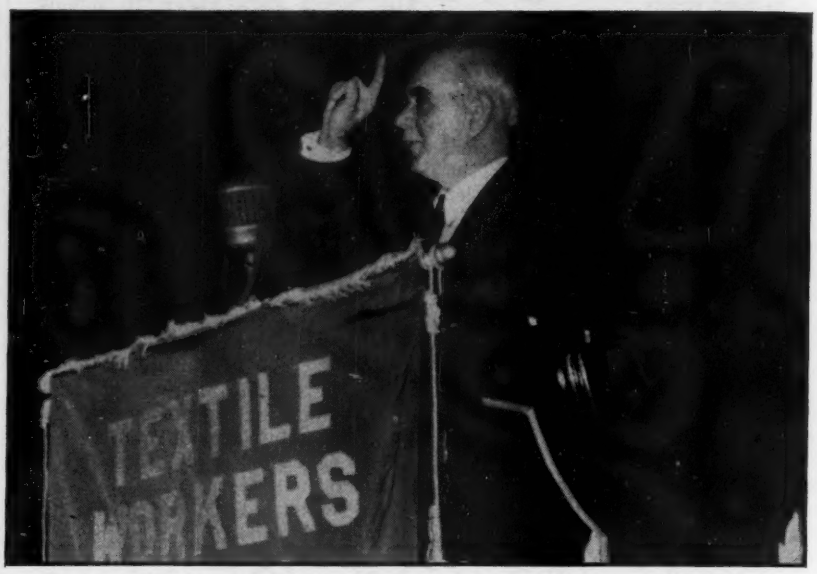
It's true that returning U.F.E. workers did get weekly raises of $3, $4, and $5. But Big Board employees who stuck to their jobs had already received similar raises. The exchange, in fact, had offered as much last December; that's when negotiations started for a new contract to replace the one that expired Mar. 1, 1948. And the pay hikes the union won fall far short of the $6 and $10 raises it had originally demanded.

• **Some Losses**—Lost in the shuffle, also, were U.F.E.'s demands for (1) a union shop, a provision which would have forced all exchange workers to join the union after employment; (2) a "struck work" contract clause that would have let workers refuse to handle business of member firms against which U.F.E. had called strikes; and (3) a job reclassification that would have upgraded many union members and increased their salaries.

But the collapse of the strike against the Big Board doesn't mean the end of Wall Street's labor troubles. U.F.E. strikes are still in progress against four important stock exchange houses.

• **A Big Loss**—But few Wall Streeters expect much trouble from this sector of the labor front. They think the U.F.E. has lost so much prestige by its unsuccessful sorties against the Curb (BW—Apr.24'48,p107) and the Big Board that it has, at least temporarily, washed itself out of the picture.

LABOR



SUCCESSFUL ATTACKER, Philip Murray must now show his mettle in retreat

Murray at the Crossroads

At steelworkers' convention he faces real test. How can he preserve union strength in face of no pay hike and reversal on T-H policy? Fate of unionism in America may be foreshadowed.

Philip Murray gavels the annual convention of his steelworkers' union to order next week. He will then face the first real test of his leadership and his strength.

Secure as president of both the steel union and the C.I.O., Murray faces no threat in the challenge of some competitor. No dissident group nor individual has emerged to shake his official position. Murray's enemy is circumstance; the times and the temper of public opinion are against him.

He was a widely respected antagonist and loyalty-inspiring leader when he carried his organization from triumph to triumph; now he must show his mettle in defeat.

• **Era's End**—The uninterrupted decade of victories for the steel union which began in 1937 is ended. Murray, on the platform in Boston next week before delegates from the nation's steel towns, will be looking at a bunch of disappointed men. They chew the bitter cud of the steel industry's "No" to their wage demands (BW—May1'48,p19). And they are committed by a no-strike contract which Murray insists they honor in both letter and spirit.

Further, they were led into the van of organized labor's boycott of the Taft-Hartley Act. Now they find themselves almost alone with the Communist-dominated unions in boycotting the National Labor Relations Board. That boycott has done more than put the steel union officers in an uncomfortable spot. It is now costing the whole union dearly. In many situations, rival unions are winning elections in which the steelworkers can't even vote. In other situations, their majorities are worthless because NLRB cannot certify them. And —perhaps most important of all—to reap the benefits of the NLRB decision that employers must bargain on pensions (BW—Apr.17'48,p109), the steel union needs access to the board.

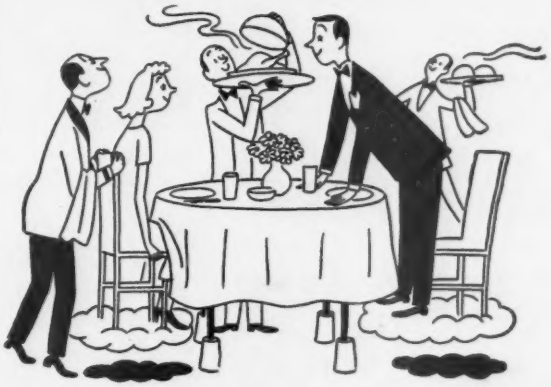
• **About-Face**—So, Murray and his fellow-officers are concerned with putting the best face possible on what will amount to a bad reversal of the union's Taft-Hartley policy. Murray's distaste for the undertaking is increased by this realization: His arch-enemy, John L. Lewis, will stay with the T-H boycott as the only important union boss above the suspicion of Communist domination.

No one seriously looks for Murray's present plight to develop any splits in the steel union. But it may take a toll on the edges. Will some less-enthusiastic members drop out of the organization now that the piewagon has left the straightaway? Will such a movement develop into a stampede? How

1. Nan and Ned were newlyweds, as of the first of June. They headed for Manhattan to enjoy their honeymoon. Starry-eyed, on two pink clouds, they drove in from the West to Hotel Pennsylvania, where you really *are* a guest!

2. "I *love* our Pennsylvania room," cried Nan to her new spouse. "It's big and cheerful, homey, too—and when we build our house, I want a bedroom *just* like this, these tables, lamps and chairs, and two of Statler's famous beds—we'll sleep like millionaires."

3. "As master of our home-to-be," said Ned, "I know one thing—we'll have a bathroom just like this where I can shower and sing; with just such floods of water hot, and just such piles of soap, and just such stacks of towels to dry, as white as these, I hope."



4. The Pennsylvania dining room served up a wedding feast that made their eyes—and appetites—expand, to say the least. "My sweet," said Ned, "I'll spend my life in happy wedded bliss if you can learn to cook a meal that's half as good as this."

5. At night they danced the hours away to music sweet and low. "Oh, life is *fun* at this hotel," cried Nan, "and this I know—because they've been so nice to us, we will come back, my dear, to Hotel Pennsylvania for a honeymoon each year!"

HOTELS STATLER IN **BOSTON** • **BUFFALO** • **CLEVELAND**
DETROIT • **ST. LOUIS** • **WASHINGTON**

STATLER-OPERATED **HOTEL PENNSYLVANIA** **HOTEL WILLIAM PENN**
NEW YORK **PITTSBURGH**

P. S. Now you can make your reservations by teletype! Complete teletype service is now in operation at every Statler Hotel. For *immediate* replies, without uncertainty, use the teletype service near you.

much of what Murray put together in the long summer of succes is able to be held together in the frost of adversity?

• **Weighty Questions**—The answers to those questions will carry a large significance. They are questions which affect more than Murray, his union, or the steel industry. In the end, the answers will tell us whether unionism in America can withstand an unfavorable change in the climate in which labor operates.

SETTING DATE: Railroad Firemen & Enginemen's C. H. Keenan (center) and Switchmen's C. E. McDaniels (right) announce a May 11 walkout, but continue contract talks

Big Strike Tests are Shaping Up

Unions haven't won any decisive victories yet this year, but third-round wage tests in major industries are still due.

No major strike this year has ended with an old-fashioned, smashing union victory. Instead, the unions have had to swallow a series of bitter-pill defeats.

The balance of power on the labor front seems to be shifting. In part, it has been because employer resistance stiffened, and new weapons were available under the Taft-Hartley law. But behind that law lies the cause of its enactment—the changed national attitude toward labor action and the fear of union-accelerated inflation.

• **Evidence**—This has been evident in several cases: the indecisive outcome of John L. Lewis' recent soft coal mine stoppage; the complete rout of the American Communications Assn. (C.I.O.) in its strike against international cable companies (BW—Apr.10 '48,p100); the futile walkout of A.F.L. financial employees who returned to Wall Street jobs this week after a picket-line trouncing (page 99). It is clear, too, in the losing fight that C.I.O. packinghouse workers are waging against major packers.

For a while it looked as if this year would be a peaceful one for labor-management relations, characterized by a quick agreement on a moderate third-round wage hike. But this week there were signs that 1948's record might be just the opposite. It might well be characterized by lengthening picket lines, some big-scale strikes.

• **Restiveness**—There is a growing restiveness in major industrial unions. Of these, only Philip Murray's steelworkers aren't talking strike. Despite the setbacks chalked up for unions in strikes so far this year, bigger and more serious tests of strength are brewing. The next 90 days may be critical ones for railroading, electrical manufacturing, automotive production, soft coal mining, ocean shipping, and other industries.

Railroads

This week's most urgent labor dispute rides the nation's railroads. If there isn't an 11th-hour contract agreement, members of three operating brotherhoods will quit engine cabs, train cars, and switches at 6 a.m. on May 11.

• **Turndown**—The unions are the Brotherhood of Locomotive Engineers, the Brotherhood of Locomotive Fire-

Head Start to Safety!

Just before he starts his day's work, the coal miner you see above is picking up his electric "headlight" in the mine lamp house.

Providing and maintaining modern cap lamps may seem like a small detail in coal mine operation. But mine safety depends on attention to details—such details as *dressing* the miner in safety equipment, *diagramming*, on a mine map, his working locations, *drilling* him constantly in safe working methods.

To prevent explosions, modern mines are "rock-dusted." Giant fans keep the air fresh. Automatic safety gates confine possible danger.

And these are only a few of the countless measures in the never-ending effort to remove every possible source of preventable danger in the mines.

As a result of this intensive safety program, America's coal mines are now twice as safe as they were 40 years ago on the basis of man hours worked—and more than four times safer on the basis of tons mined.

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men & Enginemen, and the Switchmen's Union. Their members turned down contracts similar to those signed by other operating and nonoperating rail unions (BW—Apr.3'48,p110). They later refused to accept a fact-finding report recommending terms that were basically the same as in the other settlements—a 15½¢ hourly wage boost, certain rules changes.

The three unions, with 190,000 members, have carefully complied with strike provisions of the Railway Labor Act. Hence, if they walk out, their strike will be legal. The government has no labor law which it could use to stop them. The Taft-Hartley law specifically excludes railroad labor from coverage. Thus its "national emergency" clause—used recently to end the soft coal strike—can't be applied to permit enjoining the rail strike for 80 days. The White House believes it has one alternative: government seizure and operation of railroads under a 1916 wartime law, never repealed.

• **Action**—But congressional action would be sure to come—and come quickly—if a rail strike occurred. It would probably take the form of a T-H law amendment which would include railroad labor. That would open the way for an 80-day injunction.

Coal

On May 1, as expected, John L. Lewis dropped the second shoe on the soft coal industry: He sent 60-day notices (required under the T-H law) to all bituminous employers. He advised them that his United Mine Workers want to negotiate changes in present contracts, which run out June 30. Lewis requested mine operators to open contract talks May 18 in Washington.

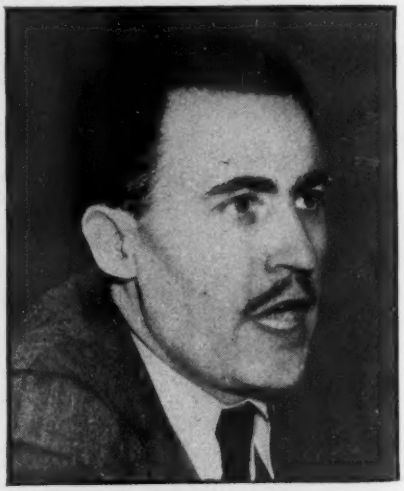
• **Significance**—U.M.W. contracts call for only a 30-day notice. But Lewis carefully complied with the T-H rule for the longer time. That fact could be a sign that Lewis wants to be on firm legal grounds if there's a bargaining deadlock.

Currently, the mine union is under an injunction which bars strike action. However, that writ can remain in effect only 80 days. After that the union will be free to strike (BW—May1'48,p102). Miners' vacations will begin this year on June 26 and continue to July 5. By the time they're due back in the mines, the injunction will be dead.

Automotive

The United Auto Workers this week took the lead in C.I.O.'s 1948 third-round wage fight. U.A.W. set May 12 as a strike date for 75,000 members in 18 Chrysler Corp. plants. The decision to strike there came after a conference of top-level C.I.O. policymakers. Its

U.A.W. director, Norman Matthews, set May 12 for a strike at Chrysler



U.E. strategist, James Matles, is mapping a walkout in electrical plants

N.M.U. president, Joe Curran, is polling members on a shipping strike June 15

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5 huge *fast-growing markets.*

Most favorable location for *fast, low-cost distribution.*

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Centrally located *world port.*

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Some of the facts back of this 11-year-old slogan are briefly stated above. They are more fully explained—along with many others—in our 52-page factbook, "How To Win the Markets of the NEW West."

Every manufacturer or wholesaler who is thinking West needs this book. Its facts, figures, photos and airplane-view maps will give you a clear, overall picture of the amazing NEW West and Metropolitan Oakland Area.

200 big-name manufacturers and wholesalers located here prove the truth of its statements.

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significance was clear: Chrysler was considered the most vulnerable spot for a concerted drive to dent management's solid wage front, and to set a pattern for other unions.

• **Deadlock**—Discussions at Chrysler this week seemed to be getting nowhere. Last offers (6¢ by the company, 18½¢ as a settlement price by the union) have been withdrawn. Bargaining is from scratch.

Any raise which U.A.W.'s Chrysler director, Norman Matthews, can drive through will be a pattern not only for the auto industry, but other unions will demand it, also.

Meanwhile, other auto demands—such as that at Ford this week—are only for the start of bargaining. U.A.W. wrapped up a 50¢ packaged demand for Ford—a 30¢ hourly increase, the rest in fringes.

• **Test**—The Chrysler situation may provice a major test of Michigan's Bonine-Tripp act. U.A.W. hasn't complied with the law's requirement for a state-conducted strike vote. If the workers strike on schedule, the state will take U.A.W. into court. It's possible that U.A.W. will postpone the walkout so that the showdown wouldn't be confused by legal issues.

Electrical Manufacturing

C.I.O.'s electrical workers also are talking strike action. Negotiations between major employers—General Electric, Westinghouse, and General Motors—and the United Electrical, Radio & Machine Workers haven't broken off yet. But no real bargaining progress is apparent. And management has taken a firm stand against a third-round wage hike this year.

• **For Strength**—So James Matles, U.E.'s bargaining strategist, is preparing to ask strike authorizations from 200,000 employees of the three major companies. So far, the move is intended only to strengthen U.E. at the bargaining table. But if G.E. and Westinghouse still balk at talking third-round terms the union will set a strike date shortly.

Shipping

The National Maritime Union (C.I.O.) began a strike vote among its seagoing members this week. N.M.U.'s contracts expire June 15, and union president, Joseph Curran, is asking authorization for a strike then.

• **Tie-up?**—N.M.U. currently is negotiating with 40 steamship companies. Other C.I.O. unions, including the International Longshoremen's & Warehousemen's Union, also have ship-line contracts which expire June 15. Concerted strike action is contemplated. If it comes, it will tie up shipping on both East and West Coasts.

Trouble Brewing

C.I.O.'s textile workers plan a tougher, more militant organizing campaign to revive bogged-down Operation Dixie.

Warning flags of union trouble ahead are flying below Mason and Dixon's line. C.I.O.'s "Operation Dixie" is trying to break out of an organizing doldrums; last week southern-drive director Van A. Bittner told the Textile Workers Union of America convention the way to do it: "You can't get anything you aren't able to take."

• **Get-Tough Policy**—Bittner reported "substantial progress" in the two years of the southern campaign—in which C.I.O. has claimed 400,000 new members in 13 southern states. He admitted that the progress hasn't been up to C.I.O. desires or hopes (BW—Oct.25 '47,p94). Moreover, since passage of the Taft-Hartley law, the drive has slowed to a crawl.

The result: Operation Dixie may not spread its activities so broadly in the future, but it's likely to be tougher, more militant. Its officers foresee no quick succession of gains—"a lot of work is going to have to be done in 1949, 1950, and on and on," Bittner predicts. Many gains are going to come the hard way—"before we get through, based on what we are now facing, there is going to be bloodshed."

• **Prime Objective**—The biggest target is going to be the textile industry. Although T.W.U.A. has shown substantial recent growth (current claim: 450,000 members), most has been outside the South. The union now reports only 120,000 members in Dixie—and about 550,000 southern textile workers (more than 80%) still unorganized.

So the southern drive was a major subject on the agenda of T.W.U.A.'s fifth biennial convention in Atlantic City. But there were other significant developments, too:

Philip Murray minced no words in criticizing C.I.O.'s left wing. He hit out at the leftist unions for their defiance of national C.I.O. policy on the European Recovery Program and the Henry Wallace third party (BW—May 1'48,p98). He flatly charged that the third party is Communist-inspired, a "divisive" maneuver for "creating confusion . . . in our country."

The speech put Murray more firmly in the right-wing camp than he has been at any time so far. It made clear that he now has decided against any further efforts to conciliate the 11-union left-wing bloc in C.I.O. He now is willing, for the best interests of the other 75% of his federation, to take the

risks incurred in isolating the left-wing bloc.

C.I.O. withdrawal from the World Federation of Trade Unions was proposed for the first time by a C.I.O. union. The T.W.U.A. called for secession in part to strengthen the hand of C.I.O. secretary-treasurer James B. Carey—now in Rome for a W.F.T.U. council meeting and for a showdown with pro-Russian trade unionists on a European Recovery Program issue (BW—Mar.6'48,p78).

Opposition to Taft-Hartley was stressed—but the textile union at the same time took a significant step to operate within that law. On the advice of its general council, the union revised its constitution to give president Emil Rieve complete authority to "authorize or terminate any strike called by a local or joint board of the textile union."

The reason: T-H allows an employer to sue an international union for a local strike in violation of contract; T.W.U.A. wanted protection against such suits.

This change wasn't made without strong opposition on the convention floor. Delegates objected to any new concentration of authority and power in international offices of the union. They protested any surrender of individual members' "democratic right to strike" through centralization of strike control in one officer's hands. The union council's answer: This abridgement of democratic rights was a necessary safeguard under T-H—which was intended by Congress to assure union members of more democracy in their unions.

Slipup Brings Woe to AEC

Effort to set employment standards for scientific workers in Atomic Energy Commission accidentally published. Private contractors up in arms, see plan as government interference.

New York's late Mayor Fiorello LaGuardia once said that he didn't often make a mistake but that when he did, it was "a beaut." Last week the Atomic Energy Commission could say the same thing about itself. Through a slip, it had blundered into one of the touchiest issues between itself and its contractors—employee relations policy.

• **Long Study**—The cause of the boner was AEC's effort to set standards of employment for scientific workers hired by the contractors who operate its laboratories and production plants. AEC has been worrying about this since a year ago. At that time it appointed a committee, headed by Dr. F. Wheeler Loomis of the University of Illinois, to study the subject.

On the basis of the Loomis committee report, AEC last March drafted a set of pay and working-condition standards for scientists. This was intended—in utmost confidence—for AEC area managers only. It told them just how far they could go in negotiating with contractors over salaries, vacations, etc. that would be allowed on cost-plus contracts.

• **Slipup**—But somebody slipped. The bulletin—GM-72—was reproduced and circulated to the whole AEC mailing list.

Immediately, the contractors were up in arms. It looked to them as if this were a move to take employee relations out of their hands, to reduce them to the status of hired managers rather than independent contractors.

Every one of them has been pulling out all the stops in propaganda to convince their atom employees that they are contractor people—not government workers. And here was AEC establishing standard conditions for employment for the whole atom program. That seemed to cut right across contractor policies.

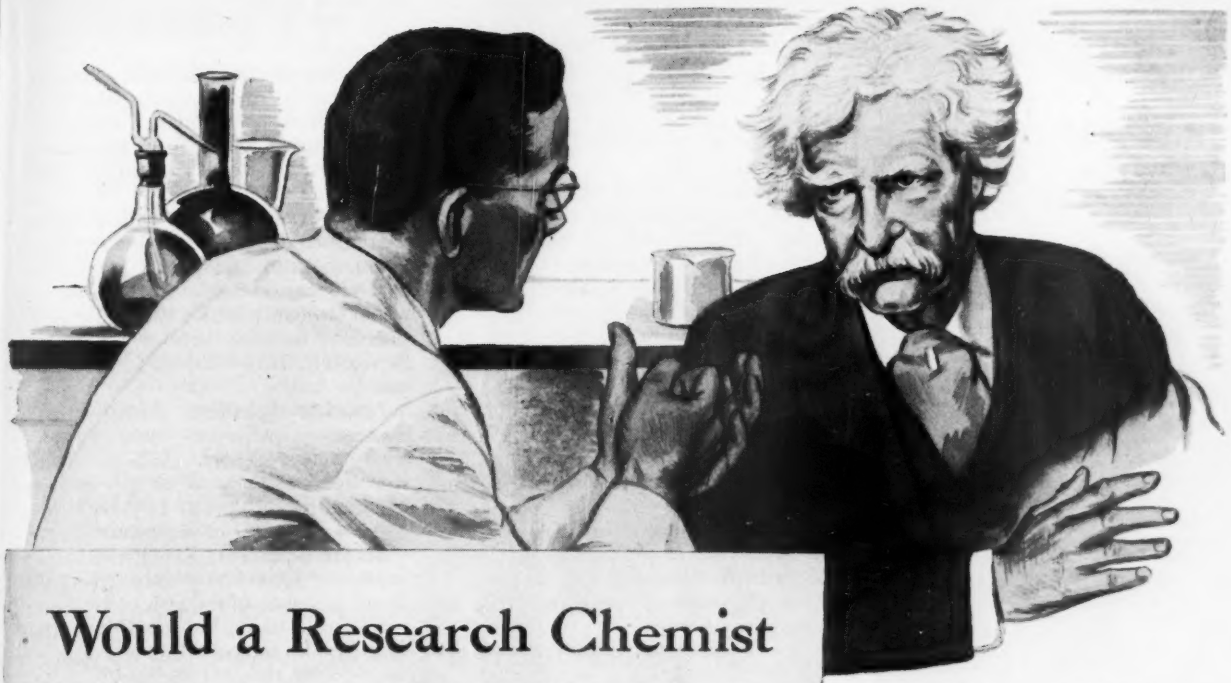
• **Three Choices**—Any contractor who wasn't meeting the standards of GM-72 had to do one of three things: (1) adjust his entire personnel policies, atomic and nonatomic; (2) set up his atom employees as an especially favored group; or (3) appear maliciously to be withholding from his atom people benefits that AEC was perfectly willing to pay for.

AEC blushed furiously for a month and then withdrew the order. But it's an open secret that the terms of GM-72 still represent commission policy.

• **Dilemma**—And the whole episode reflected one of the basic dilemmas that AEC faces:

On the one hand, the commission is carrying out its job through private contractors. With considerable sincerity, it is trying to build up a maximum of industrial participation in its work; it is looking to the day when atomic energy will be used widely by private industry.

On the other hand, atomic energy is a little sector of managed economy. This means more than allocating fissionable material. AEC is faced with a shortage of scientific talent; it has to see that there's not a lot of personnel raiding among its contractors and shopping around among scientists. But



Would a Research Chemist Contradict Mark Twain?

Mark Twain once said, "Everyone talks about the weather but nobody DOES anything about it."

If he worked at Atlas he could!—because the research chemist in the Atlas laboratories is the man Mark Twain did not believe existed—he is the man who not only talks about the weather but actually *does* something about it.

He puts his wits against such natural forces as blistering sunlight, high humidity, salt air, extreme dryness. He measures their destructive action and combats it with chemical protection that enables Atlas wood and metal finishes and plastic coated fabrics to stand up under severe exposure conditions.

He speeds this work and checks his results by means of especially designed test equipment that reproduces in a few days of continuous operation, the ravaging effects of years of actual exposure.

The Atlas research chemist also knows that variations of temperature and moisture can deteriorate cigars, cigarettes, glues, cosmetics, candies, printing inks and papers, and countless other things we use from day to day. His work at Atlas has produced sorbitol, a chemical extensively used in conditioning such articles against extreme dryness or extreme dampness. Sorbitol, by helping to maintain moisture content at a uniform level that avoids dryness, as well as the other extreme, sogginess, keeps such commodities "fresh" during periods of shipment and storage that are frequently of unpredictable duration.

Yes, indeed, the Atlas research chemist can surely qualify as the man who *does* something about the weather. His work and his thinking have amassed a stockpile of technical ideas that constantly solve problems for Atlas customers. This stockpile is available to you. Atlas is always ready to talk with you about moisture conditioning—or any problem that involves the use of modern chemistry for product improvement.

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it has to see that scientific skill is free to shift to where it's needed most.

• **Labor Problem**—Similarly, labor conditions in the atom plants are supposed to be worked out by contractors and their workers. But at every table where unions bargain on wages or scientists dicker politely over salaries, AEC has to O.K. the costs.

The detailed terms of GM-72 have a wider significance than the atom program. AEC is one of the nation's largest buyers of scientific talent. The standards it approves will effect all firms that employ technical people.

• **AEC's Conditions**—Here are the working conditions AEC thinks scientists should have:

(1) A month's vacation with pay.

(2) Extra vacations for people exposed to unusual radiation hazards.

(3) Freedom from time-clock punching.

(4) A system of retirement annuities in which the employee has an equity, to facilitate transfers.

(5) Payment of travel expenses to scientific meetings

(6) Payment to permanent employees for movement of families and household goods.

(7) Sick leave conforming to university practice.

(8) Opportunity for basic research, with some scientists in each laboratory freed from all "programatic" work.

• **Three Salary Groups**—As to salaries, AEC would divide scientific staff people into three groups:

Junior Scientists. Men with a bachelor's degree doing research under supervision. Salaries would range from $250 to $400 per month. Starting salaries would ordinarily be: for bachelors, $250 plus $20 for each year of experience; for masters, $270-290 plus $25 for each year.

Associate Scientists. Men with a doctorate capable of doing assigned work independently. Salaries would run from $350 to $700 per month, would normally start at $350-$400 plus $30 for each year of experience.

Senior Scientists. Experienced men capable of formulating and carrying out broad programs of research. Pay should run from $550 up, but monthly salaries over $1,000 require AEC approval.

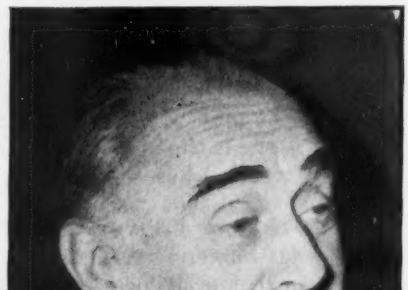
NLRB Appointment May Bring Labor-Law Fight

The first major congressional debate on the Taft-Hartley law since its adoption last year may come soon in the Senate. The issue which promises some lively argument: President Truman's reappointment of John M. Houston for a five-year term as a member of the National Labor Relations Board.

• **Hot Fight Expected**—The reappointment was in a pigeon-hole this week in the Senate Labor Committee—awaiting the return of the chairman, Sen. Robert A. Taft, from his Ohio primary campaign tour But a hot fight is shaping up. Strong pressure is being brought to bear on the committee—both for and against Houston's reappointment. Regardless of how the committee votes, the fight is slated to continue on the Senate floor.

Republicans in Congress who oppose Houston's reappointment are combing recent NLRB decisions to support their argument—that he has been voting a consistent "C.I.O. policy" on the board. The basis for this view is Houston's steady pro-labor stand. The anti-Houston bloc is plugging for somebody who would vote with the conservative minority on NLRB—board members James J. Reynolds and J. Copeland Gray. They would probably settle for an appointee more likely to turn into a "swing man" —willing to shift, issue by issue, from one side to the other, and thus cast the deciding vote on the five-man board.

• **Democrat, Businessman**—Houston, 57, was a lame-duck Democratic repre-



John M. Houston

sentative in Congress from Kansas when President Roosevelt named him to NLRB in 1943. His first appointment was to fill a vacancy made when William M. Leiserson resigned from NLRB to return to the National Railway Mediation Board. In August, 1943, he was appointed to a full five-year term; it expires next Aug. 27

Houston had a management background when he joined NLRB. At first he voted conservatively, with former board member Gerard D. Reilly. He shifted later; today he is the most consistent pro-labor member of the board.

Reviewing T-H

"Watchdog committee" will hold first public hearings May 24 on five questions. Three of them involve John L. Lewis.

At least five problems arising out of the Taft-Hartley Act will get a public hearing in Washington beginning May 24. The Joint Committee on Labor-Management Relations—the "watchdog committee" headed by Sen. Joseph H. Ball of Minnesota—has called its first public hearing to sound out congressional and public opinion on how well T-H is working.

• **Prime Topic**—This week, with a new John L. Lewis coal crisis in the making, coal mining would be a prime topic.

The coming coal contract talks plump Lewis smack into the middle of three of the five T-H problems:

(1) Union welfare funds.

(2) "National emergency" strikes.

(3) Evasions of the T-H closed-shop ban through "bootleg" agreements with employers.

The other two problems: (1) bogging down of cases before the National Labor Relations Board, and (2) evasions of the non-Communist affidavit requirement in the T-H law.

• **Toughest Problem**—How to settle disputes when the 80-day injunction expires in "national emergency" cases is the toughest problem. Hence, much thought centers on a compulsory arbitration law (BW—Mar.13'48,p98). But Rep. Fred Hartley, New Jersey Republican and co-sponsor of the T-H law, has another idea: He would make a strike against two or more employers in an industry involving "national safety and welfare" violate the antitrust laws.

The joint committee also wants to know more about "preferential" employment and other plans which, in effect, continue closed-shop contracts (BW—Apr.10'48,p104). One phase of this problem is closely linked to Lewis' new pension program.

• **Miners' Fund**—As now set up, pensions payable from the miners' welfare fund are limited to union members. Nonunion miners, or miners who may in the future drop out of U.M.W., can't collect—even if they helped dig the coal on which employers paid royalties into the mine union fund.

Sources close to the committee argue

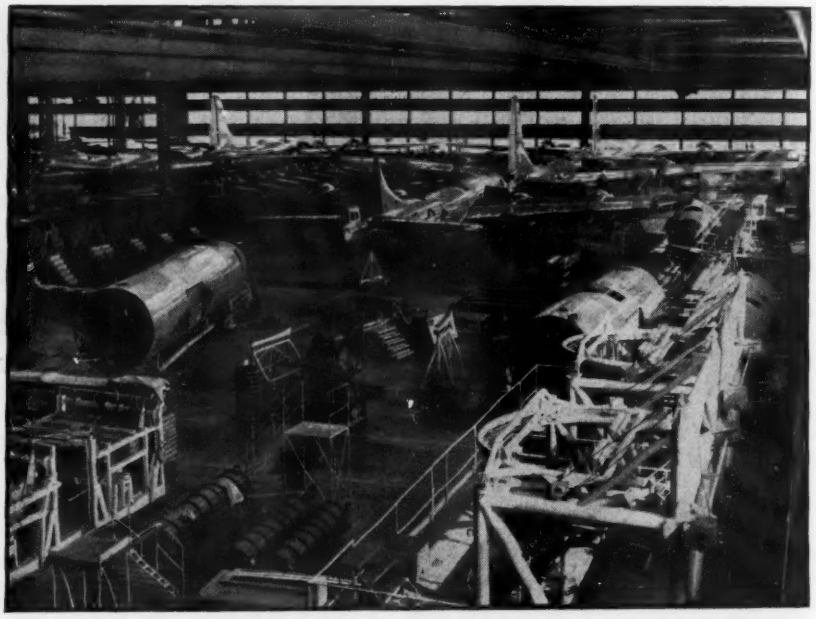
The Pictures—Acme—112, 118; Black Star—23; Harris & Ewing—25, 110; John Hartshorne—121; Int. News—26, 65, 66, 67; Press Assn.—96, 102, 104.

that this gives Lewis a stronger union shop than he could get if he complied with the T-H law by filing a non-Communist affidavit. With $100 pensions at stake, nonunion miners are going to have a strong incentive to sign up with U.M.W. and union members aren't likely to drop out.

• **Iron Grip**—Moreover, Lewis has been able to keep an iron grip on members. Under closed-shop contracts, union members could be forced out of jobs in the industry if they were expelled from the U.M.W. Expulsion can't make the miners lose their jobs any more. But it can make them forfeit all claims on the pension fund.

Committeemen feel that limiting pensions to union members needs close inspection. They believe it violates a principle, laid down by the U. S. Supreme Court in recent years: As "exclusive bargaining agent," a union must represent all employees in the bargaining group in equal fashion. Privately, they argue that any employer who gave a wage increase only to union members—an analogous situation—would be hailed before NLRB for an unfair labor practice.

• **Second Violation?**—The committee also wants to look into the Lewis pension for another reason. Operators have claimed that it violates the T-H requirement that an employer may not contribute to a welfare fund unless it is for the exclusive benefit of his employees and their families. The Lewis program would provide benefits to all the U.M.W. members—regardless of whether their employers were contributors to the fund.



Boeing's Seattle Plant Idled by Strike

Assembly lines continued idle this week at the huge Boeing Airplane Co. plant in Seattle. What was reminiscent of a "defense strike" of 1941 held up work on the big B-50 bomber, the C-97 Stratofreighter, and also the B-47 jet bomber. More than 18,000 workers, members of the International Assn. of Machinists, struck two weeks ago after contract talks bogged down completely. Unlike the 1941 parallel, however, they are not members of a Communist-line union.

• **Background**—I.A.M.'s contract at Boeing expired Mar. 16, 1947; but in the agreement it was provided that the terms should continue in effect "thereafter until a new agreement has been reached by the parties either through negotiation or arbitration."

The union sought contract changes in March, 1947, and the company came up with demands of its own. The issues raised 14 months ago are still unsettled. The most controversial is plant seniority. The company insists the old clause, a wartime relic, is unworkable in peacetime. It wants the right to transfer workers between jobs and departments without considering individuals' seniority claims. But the union insists that the old Boeing seniority clause is one of the best in the aircraft industry. It's willing to make some slight changes, but it won't go along with company demands.

• **Stalemate**—Both company and union have proposed arbitration—but haven't been able to agree on what basis arbitration should be undertaken.

Negotiations have now been broken off completely.

INTERNATIONAL OUTLOOK

Western Germany is slated to have its own government by fall.

Getting a new constitution started is the No. 1 problem of the current six-power conference in London. (Participants are the U.S., Britain, France, Belgium, Luxemburg, Netherlands.)

If all goes well, a German constituent assembly will meet around Sept. 1.

The draft constitution produced here will go to the military governors for approval. Then all that's necessary for ratification is two-thirds approval of the German people.

•

In the U. S. and British zones, the Germans already have a form of economic self-government; it can be turned easily into a political set-up.

The present German Economic Administration consists of:

(1) A two-house legislature elected by the governments of the eight states in the two zones. The lower house, with 104 members, is the economic council.

(2) An executive committee (cabinet) of six, elected by the economic council.

(3) A high court, with an attorney-general.

•

March industrial output in Bizonia reached 48% of 1936. This is a new high for the occupation. Better supplies of coal, chemicals, and raw materials—plus good working weather—did the trick.

The Economic Cooperation Administration's unofficial target for Bizonia this year is 60% of 1936 production.

•

Foreign purchasing missions won't get much encouragement from ECA chief Paul Hoffman.

Hoffman's idea is to maintain private trade channels in the U. S.; also to rebuild them in Europe so far as possible.

But he may let the missions carry on their present operations. Over the past two years the State and Commerce Depts. have allowed them to:

(1) Buy for government-operated industries. For example, Mexico's mission buys capital goods for state-owned Petreleos Mexicanos; Argentina's gets equipment for the Argentine State Railways.

(2) Buy certain scarce products, such as coal and food. The Indian mission does this now.

(3) Buy industrial and other goods for colonial territories. The French and Dutch missions do this.

(4) Buy for their military. The Bolivian and Canadian missions handle transactions like this.

(5) Use missions to give information and guidance to private traders. The French Supply Council works closely with French importers in buying cotton, coal, oil, and metals—though the importers make their own purchases and payments.

Apart from such special transactions, foreign buying missions are no better off than private traders. Thus, they get no priority in U. S. export licenses and must take their chances with private industry.

•

Moscow had no trouble putting across its third postwar recovery loan.

It took only a day or two for Finance Minister Kosygin to sell 20-billion rubles worth of bonds.

Kosygin told the public he had to have the money to cover one third

of the cost of capital projects scheduled for completion this year. And you can be sure the government put on plenty of heat to make the loan a success.

Selling the bonds probably wasn't too hard, though. For one thing, consumer goods are so scarce in Russia (page 122) that some loose cash was bound to be around. For another, this loan must have looked relatively attractive. The 1947 recovery bonds were untouched by last fall's currency devaluation. (Other state bonds lost from 66 2/3% to 80% of their value.)

•

The Soviet government is getting set for another crackdown on the farmer.

First, the farmer took an awful licking in the currency devaluation. Then, he was told he couldn't make his own vodka.

Now he may have to give up some of his personal livestock. (Families on collective farms can have a small plot for a garden, a few chickens, a cow or two.)

Here's the reason: Livestock on state and collective farms last year fell below 1946 levels. In the Ukraine the drop was 9%; in the Kirov district (northwest of Moscow) 16%. This could have been due to bad crops. But individually owned livestock in many areas went up 20% in 1947. The farmers apparently took better care of their own animals than the state's.

•

Japan hopes to export up to $75-million worth of machinery and metal products this year.

Textile machinery tops the list. India has already signed for over $6-million worth. The order includes: 6,000 small looms, 100,000 spindles, knitting machinery.

Sale of 35,000 spindles to Hong Kong is in the cards.

•

Industrial development is being pushed in India's Central Provinces.

The National Aluminum Co. of India, Ltd. is building a new plant to use the bauxite deposits of Katni. A Swiss company—Industrie de Aluminium of Lausanne—is supplying the know-how.

The government of the Central Provinces is building a $6-million cement plant in the Mirzapur district. Vickers Armstrong of Britain has the equipment contract.

The government also wants to build both a viscose and an acetate rayon plant.

•

Cargill Inc. is making another move in the foreign field.

In January it launched a project in Puerto Rico (BW-Jan.17'48,p100). Now Cargill is hooking up with Nelson Rockefeller's International Basic Economy Corp. in Brazil.

The new company aims to process and market grains and related products. As a starter, it will build storage facilities for grains, oilseeds, etc.

Cargill will provide technical and managerial personnel, train Brazilians in the U. S. to take over top posts later.

Capital will come from the two U. S. companies and Brazilian investors.

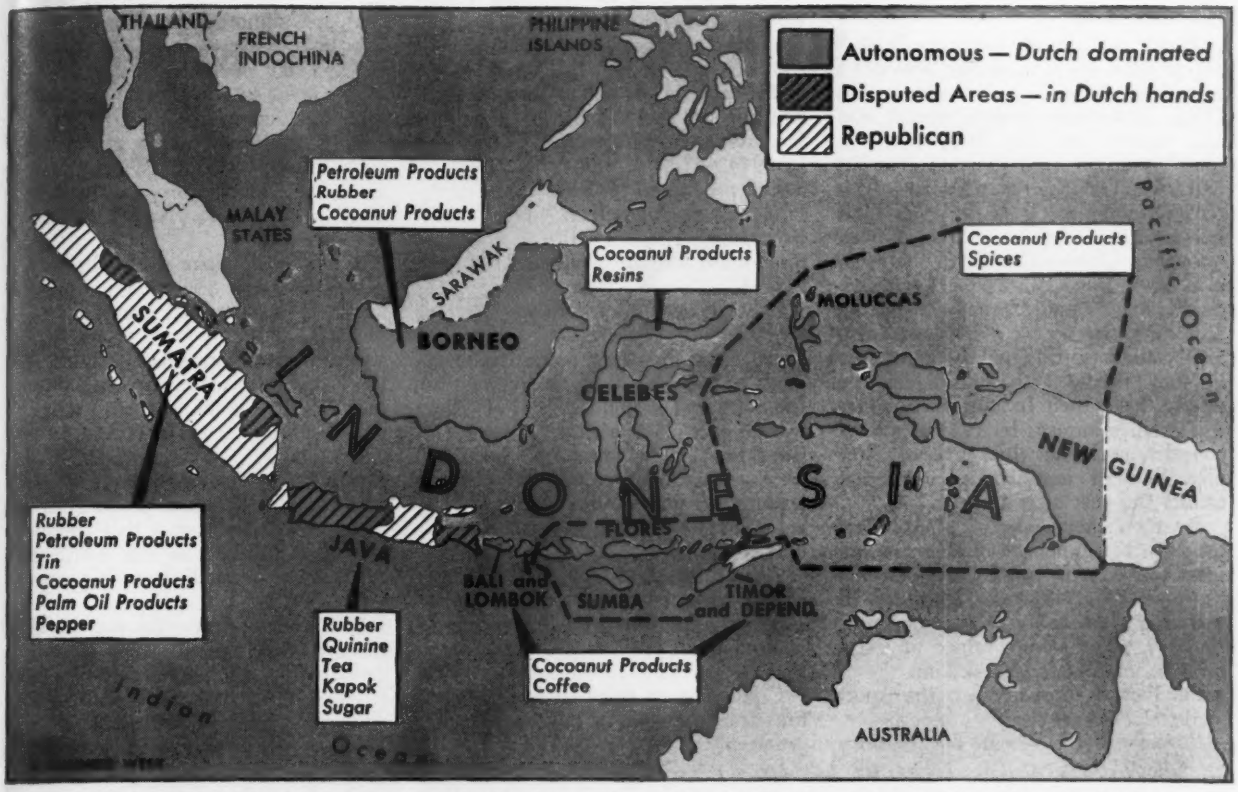
•

France is getting three light-weight trains equipped with pneumatic tires.

They will operate on the Paris-Strasbourg run—about 300 miles.

Advantages claimed: greater speed and comfort; lower demands on power; better braking.

BUSINESS ABROAD



RAW MATERIALS of Indonesia are ready for the world market as the Dutch and the republicans bury the hatchet

Indonesia: Peace Brings Trade Rebirth

U.S. business should profit as never before in market for products, outlet for investment capital, and source of raw materials.

Dutch envoys are in Washington this week looking for dollars for Indonesia.

Peace has come—at least temporarily—to the rich, 3,000-mile bridge between Australia and Asia. So the Dutch now need dollars to get lucrative East Indian products back on the world market.

• **For U. S. Business**—If the Dutch get a loan or ECA dollars—and there are no more outbreaks of violence—American business should soon find in Indonesia:

(1) A mine of vital raw materials;

(2) A good market for industrial products;

(3) A new outlet for investment capital.

• **Trickle**—Only a trickle of trade has seeped through the battle lines during the last two years. But with peace and U. S. aid, Indonesia should boost its over-all exports to prewar levels by 1951. Exports of rubber and tin may even reach the prewar mark this year.

But this revival of trade hinges on a long-term political settlement between the Dutch and the republicans. Stacked rifles in the islands don't mean that the Indonesian political volcano has burned out; the islands will rumble and quake for years to come. And before things finally settle down, many new political lines may be drawn. Indonesia may have rejected European tutelage entirely. Or it may be the prototype of a new form of Asiatic colonialism based on sincere East-West teamwork.

• **Violence**—The Dutch have been fighting their way back onto the islands for two and a half years. They've met dogged resistance from the Republic of Indonesia, set up in Java and Sumatra in the last days of Japanese rule. Indonesian republicans, armed by the Japs, have settled many old scores by shooting down thousands of Dutch in the jungles, rice paddies, and rubber groves.

Now the Republic is tuckered out. It has lost two-thirds of Java and one-fifth of Sumatra—control of about 20-million people. It is still convulsed with internal struggles for power, and won't risk another test of strength right now.

• **No Offensive**—The Dutch have 100,000 troops in the islands. They say that they could grab the rest of the Republic in a few weeks. But they don't want to for several reasons:

(1) They need U. S. aid, don't want to sour U. S. opinion by getting too rough in the colonies.

(2) They feel that last summer's military offensive gave them the key centers of wealth and population they need to keep a controlling vote in Indonesia's future.

(3) The Dutch army in Indonesia is costing Holland $1-million per day. The Dutch would like to disarm before they are all driven to the poorhouse.

(4) They realize that in the long run Indonesia, like other colonial areas, will go not to the strong but to the wise—to the party which can bring orderly economic and political progress to the islands.

• **Truce and Politics**—The United Nations' Good Offices Committee managed to bring about a truce between the Dutch and the republicans last January. Under the terms of the truce (a lonesome feather in U. N.'s cap), a United

States of Indonesia will be set up early in 1949. The U.S.I.—which will include the Republic of Indonesia and the autonomous states under Dutch tutelage—will then form a loose union with the Netherlands.

Dutch and republicans now are playing political chess to decide how big a voice the Republic will have in the U.S.I. The game centers around who will control the key areas that the Dutch plucked from the Republic last year. But no matter who wins this political skirmish, U. S. business can't lose now that the real fighting is over.

• **Exports Climb**—The U. S. stands to gain most from imports of raw materials. Over-all exports from Indonesia are mounting fast; they should be worth $350-million in 1948 (nearly three times the 1947 total). The Dutch figure that exports from their Indonesian holdings will balance imports by 1951 at a level considerably higher than prewar. They plan to start repaying reconstruction credits the year after that.

By then they expect to have more exports than imports. Last year imports totaled $269-million, exports only $130-million. But prewar, Indonesia always had a favorable balance of trade. In 1939, exports were valued at $420-million, imports at $284-million.

• **The Picture**—Broken down, the export picture looks this way:

Rubber has made the best comeback. Exports are expected to reach 310,000 tons this year. This tops the 1938 figure of 303,000 tons but lags behind the 378,000 tons in 1939 and 1941's whopping 600,000 tons. By 1949, the Dutch hope to ship out 350,000 tons of rubber.

Tin exports of 35,000 tons in 1948 will fall just short of the 1939 output. Exports are expected to hit 41,000 tons in 1949.

Oil production is also creeping up fast. About 3.5-million tons are expected to be exported this year against 6.4-million tons in 1939, 764,100 tons in 1947.

• **Others Lag**—Other products are still lagging badly, although in most cases they are up over last year. If the exports of palm oil don't go higher than the estimated 60,000 tons in 1948, they will be only 25% of the 1938 volume. Copra, at 210,000 tons this year, will be less than half prewar. Hard fiber exports will drag along at 10% of 1938 volume (1948 exports are set at 8,000 tons).

An estimated 100,000 tons of sugar will be exported this year, 10% of the 1938 volume. But this tonnage should be doubled in 1949, reach 500,000 tons in 1950.

Coffee exports this year will be 9,000 tons against 66,000 in 1939; tea exports 10,000 tons against 73,500 tons in 1939.

• **Additions Questionable**—Some exports from the Indonesian Republic must be added to these figures. But, for two reasons, it is almost impossible to say just how many because:

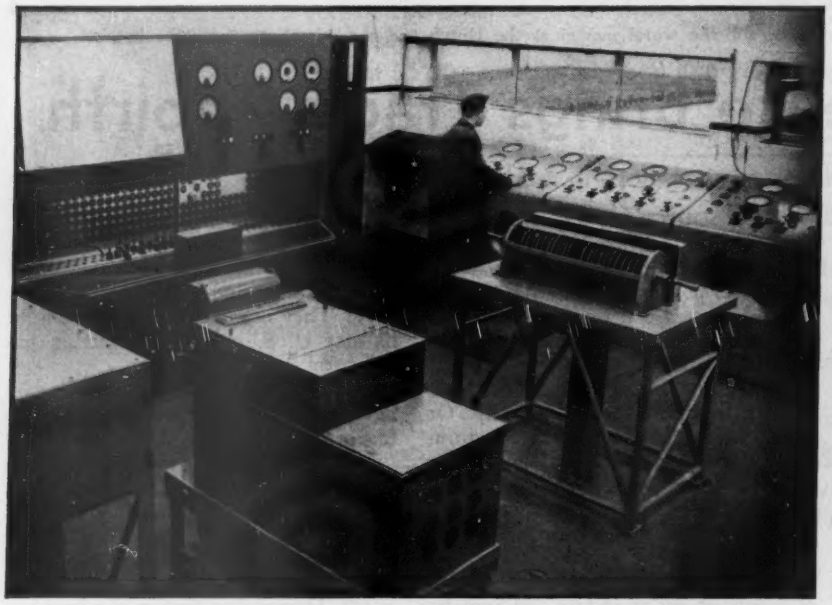
(1) Many stockpiles in the Republic are claimed by the Dutch and added into their figures.

(2) Republican traders, trying to bypass Dutch trade controls, smuggle most of their products through the Dutch Navy to Singapore. No accurate tally is kept.

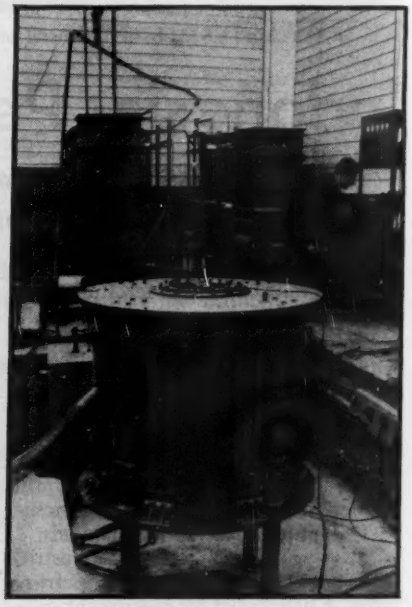
• **Republican Claim**—Republicans say that they sold $46-million worth of goods in Singapore last year. They claim to have $200-million worth (50% rubber) ready for immediate export. But the Dutch rate republican stockpiles at only about $100,000.

The U. S. share in these exports will be about 25% as against 20% before the war. But the volume of U. S. imports of Indonesian products is not so important as the fact that Indonesia is the only place in the world that supplies many products in big enough quantity.

• **U. S. Needs**—Before the war the U. S. relied on Indonesia for 32% of its rubber, 10% of its tin, 80% of its palm oil, 43% of its sisal and kapok, 90% of its quinine, 95% of its tapioca, 25% of



THE NERVE CENTER, control room for gigantic power, taps . . .



. . . A SYNCHROTRON (30 mev.)

Great Britain Probes Secrets of the Atom

British scientists at the English Electric Co. laboratories in Nelson, Lancashire, are hard at work trying to harness atomic energy to industry. But, by American standards, Britain's government has had to impose something of an atomic austerity: The current appropriation for atomic research is only $120-million.

Most of this is directed toward peaceful uses of the atom. British atom projects include: a large power pile, under construction; two piles, including "glebe" (atomese for graphite low-energy pile), in the advanced planning stage; another power pile, under study.

Also a-building are several "accelerators," including the 30-million-electron-volt synchrotron (above right).

its tea, 97% of its pepper, 65% of its natural gums.

Synthetics have cut the proportional need for rubber and quinine. But the massive growth of U. S. productivity has boosted the total tonnages needed.

• **Shipments to Indonesia**—And there will be plenty of business in the other direction, too. The U. S. has already cornered 50% of the Indonesian market for foreign goods compared to 14% before the war. America shipped about $72-million worth of machinery, medical supplies, and textiles to the islands last year; in 1939 it sent only $36-million worth. U. S. bottoms carried better than 40% of this tonnage.

The demand for U S. goods in Indonesia should be even larger in the near future. The Dutch are now thinking in terms of a $500-million, long-range reconstruction program to be started soon.

• **Up to U. S.**—Only one country—the U. S.—can supply the equipment (and the credits) for this program. Priority needs are for ships, mining and agricultural machinery, railroad equipment, oil extraction equipment, heavy and light motor vehicles, medical supplies, textiles.

U. S. investments in Indonesia ran a poor third to British and Dutch before the war (U. S., $250,-million; British, $300-million; and Dutch, $4-billion). Biggest U. S. investors were: Standard-Vacuum Oil Co., with wells and refineries on Sumatra; U. S. Rubber Co., with plantations on Sumatra and Java; Goodyear Tire & Rubber Co., with plantations on Sumatra and a tire factory in Java; Procter & Gamble Co., a soap factory; and General Motors Corp., with an assembly plant on Java. All these plants are back in production, but comparative figures are not available.

• **Change in Attitude**—The Dutch were cool to foreign investment before the war; they preferred to finance developments on their own. Now they are poor, eager to get foreign capital to boost Indonesia's standard of living. Over the last three years the Netherlands' government has advanced about a billion guilders ($377-million) in credit to Indonesia. Soon it plans to advance a further $318-million in precious dollar credits. The rickety home economy may not be able to stand all this pressure at once.

The Republic of Indonesia is even more hungry for American capital. It hopes to use it to supplant Dutch investments.

Both Dutch and republicans promise minimum restrictions on foreign investments. Major investment opportunities are in exploitation of mineral resources, manufacture of light consumer goods, and planting of tropical crops. Largely untapped mineral reserves include nickel, bauxite, manganese, wolframite, copper, zinc, lead, and sulphur.

TO HEAD LIBERIAN AIRWAYS

This week Liberian International Airways, Inc., got off the ground under the direction of (left to right): Frederick M. Ryan, Marvis M. Fickett, and Homer Mat Adams. Paper plans turned into reality when Edward Stettinius' Liberia Co. (BW—Dec.13'47, p113) agreed to finance the project. Another partner is the Republic of Liberia. The airlines' freight and passenger service will be a big factor in developing the country.

INDIA TO BUY MORE

The India Supply Council—purchasing mission for the government of India—will tap the U. S. market for upwards of $100-million of food, raw materials, and machinery this year.

India expects to get the necessary dollars from stepping up exports—and from its share of dollars siphoned into the British dollar pool by the Economic Cooperation Administration.

Last year the Supply Council spent a record-breaking $120-million in the U. S.—about 60% in food, the rest chiefly in industrial equipment.

This year, buying here may exceed that of 1947, with the machinery group accounting for a greater share of the total. Recovery of the rice crop in Burma, a bumper crop in Australia, and more food from India itself should leave more dollars for equipment.

Last year, 16 Pacific-type stream-lined engines and tenders were purchased from Baldwin Locomotive Co.

Other buying here included irrigation and power equipment from Ingersoll-Rand Co., Bucyrus-Erie Co., and Joy Mfg. Co.; agricultural implements from Caterpillar Tractor Co., International Harvester Co., and Allis-Chalmers Mfg. Co.; and radio transmitters from Westinghouse, Electric Corp., Radio Corp. of America, General Electric Co., and Collins Radio Co. of Cedar Rapids, Iowa.

ADVERTISERS IN THIS ISSUE

Business Week—May 8, 1948

LETTER FROM THE URALS

Business Week is indebted to Pravda for this week's foreign letter. The following account of consumer goods shortages in the Urals is translated from a recent Pravda article written by its correspondent, D. Kossov. This kind of officially sponsored frankness is part of the current process of self-criticism, by which bureaucrats are goaded for shortcomings in production and distribution. It's also evidence that in the U.S.S.R.—as in the U.S.A.—the merchandiser has to pay attention to consumer tastes if he wants to sell his wares.

SVERDLOVSK—On one of the busy streets of Sverdlovsk there is a department store of the Lenin District "Promcombinat" ("Industrial Combine"). This store distributes the products of local industry and of the city's producers cooperatives.

One of the counters displays a child's jersey suit. It is hard to describe the color of this article, which is so unattractive that no mother can bring herself to dress her child in it. It was produced in the workshops of the Molotov District "Promcombinat" in Sverdlovsk.

The selection of goods offered by this store testifies to the completely neglected state of the local and cooperative industries of Sverdlovsk, as well as the absence of any control whatever over the quality of goods and the total disregard for the most elementary consumer needs and interests. It is not surprising that the store does not handle even a third of the turnover assigned to it. And this store is by no means an exception in this city and region.

Villages and rural districts demand axes, saws, carpenters' and joiners' tools, pitchforks, horseshoe nails and ordinary wire nails. These are unavailable. Rural consumers lack even oven-forks, frying pans, and similar daily household necessities.

IT MAY SEEM INCREDIBLE that the Urals, with their vast number of metallurgical and machine building plants that turn out large quantities of metal products, should lack so many articles of prime necessity. Even the main department store, which generally does a brisk trade, lacks such simple articles as scissors, sugar tongs, and table knives. Plain flatirons, made of cast-iron, are imported from Leningrad.

Comrade Ponomarev, honorary Stakhanovite of the Urals Machine Building Plant, moved into an excellent apartment several months ago.

"I have put aside the money for the furniture," he told me, "but I cannot buy it anywhere."

And indeed a cupboard, a dresser, a chest of drawers, or a chair have become rarities in the Sverdlovsk stores. There is no timber here, they say. But any schoolboy knows about the wealth of forests in the Urals, and if the manufacture of furniture has been abandoned in Sverdlovsk, it is due not to lack of lumber, but to unwillingness to pay serious attention to the production of consumer goods.

THE MOST IMPORTANT problem in the development of trade today is the assortment of merchandise. Unfortunately, some of our Ministries do not show the necessary flexibility in the production and sale of goods.

It is spring. There is a crying need for spring coats. But the Sverdlovsk distribution base of the Ministry of Light Industry is overstocked with winter coats—close to 30,000 of them. It is difficult to fathom the reasoning of the Ministry of Light Industry in planning the production of winter coats in this factory during the entire first quarter.

The base overflows with unsalable merchandise worth many millions of rubles. Such merchandise also clutters the stores in the city and district. The "ORS" (Department of Workers' Supply) of the "Urals Railway Car Factory," which planned to procure 600,000-700,000 rubles worth of garments during the first quarter, bought less than 100,000 rubles worth in two months—simply because there is no selection. The shelves of the "ORS' store of the Serovsk Metallurgical Factory are overloaded with unsalable footwear, cotton material (only black), etc., worth hundreds of thousands of rubles.

All these wares remain on the shelves because they do not answer the needs of the buyers.

New "War" Board

Canada sets up industrial watch-dog group to keep nation poised for quick shift to war footing if necessary.

OTTAWA—Canada is going to keep a weather eye on its industrial potential for war needs—just in case. It has just set up a new Industrial Defense Board to keep a running account of the country's industrial preparedness. Thus, the government figures it can avoid the scores of headaches that came with the building up of Canadian production during World War II.

• **The Board**—The board is made up of seven prominent businessmen and seven government officials. Among the latter are the chief supply and research officers of the Army, Navy, and Air Force, and the deputy ministers of the departments of National Defense, and Trade and Commerce. Heading up the board is Harry J. Carmichael, former general manager of General Motors of Canada and wartime director of munitions production. Representatives of engineering, shipbuilding, and munitions concerns will help him.

The board will serve as a permanent liaison between the armed services and industry. Defense Minister Brooke Claxton says that his aim is to keep industry alerted to the needs of the armed forces, and the armed forces aware of changes in industrial potential.

• **Its Job**—The board won't butt into the affairs of any particular group of industries. But it will try to keep posted on all developments which might affect the war utility of a given industry. For example, it will keep an eye on changes that industry makes. It will advise the industry to change in a way that will be more useful in war manufacture.

The government doesn't plan now to dole out sustaining orders to war industries (beyond what it is already doing for the aircraft industry). It will be up to the board to say when such orders are desirable, then when and where they are to be applied.

• **Help From Industry**—In its liaison job the board will get a lot of help from the newly formed Canadian Ordnance Assn., made up of all manufacturers of munitions and weapons.

The government, too, is still in the munitions business. Through a publicly owned company, Canadian Arsenals, Ltd., the government keeps five of its wartime munitions plants operating on a skeleton basis. The machines and tools developed during the war which aren't being used now are kept on a standby basis so that the plants can hit full production quickly.

THE TREND

Burton Dissents

The U. S. Supreme Court heard argument six months ago in the Federal Trade Commission's attack on the cement industry's basing-point pricing system.

Last week, by a 6 to 1 decision, the majority of the court ruled that the cement pricing system should be thrown out (BW—May1'48,p24). It held that (1) The pricing method enabled cement makers to get together in cutting out price competition; and (2) the pricing system resulted in systematic price discriminations among customers.

The court's decision had been eagerly awaited for months. It was generally expected to settle the question of the legal use of basing-point or delivered-pricing once and for all.

But the lone dissenting opinion, written by Justice Harold H. Burton, is so far apart from what the majority says that a cloud still hangs over the issue.

Justice Burton departed from his colleagues on both fact and opinion. His stand matches the ruling of the lower court, which held that FTC had not made a case against the basing-point system of pricing.

Burton agreed with that court in concluding that there was not enough evidence to support a finding by FTC of the existence of a combination to restrain competition in price. The lower court then proceeded to apply the law of the case to a set of facts that did not include such a combination. And it held that, without such a combination, there was no violation of the Clayton Act and the Federal Trade Commission Act.

The commission, Burton noted, had based its conclusion on its finding of the combination charged in its complaint. And the Supreme Court majority fully upheld the commission.

"Unlike the commission and the majority of this court", Burton said, "the lower court and I, therefore, have faced the further issue presented by the commission's charges unsupported by a finding of the alleged combination. This has led us to consider an issue quite different from that decided by this court today. That issue lies within the long-established and widespread practice by individuals of bona fide competition by freight absorption, with which practice Congress has declined to interfere, although asked to do so."

He described the practice as this way: Producer A, for his own purposes and without collusion, often ships his product to a customer who, in terms of freight charges, is nearer to Producer B, a competitor of Producer A. To get the business, Producer A cuts his delivered price in that area enough to absorb his freight disadvantage.

Burton said that the court majority did not pass on the validity of this kind of freight absorption. He himself seems to lean to the belief that such a practice can be justified on several grounds.

We believe that the absence of a court ruling on that main point leaves unanswered an important question of business pricing practices. Since so many industries besides cement use delivered-prices to meet competition, the question affects a large section of our economy.

In fact, our whole competitive system seems to stand in jeopardy. An adverse court ruling later on may cause many disturbances in business.

Before that happens, we believe, Congress should tackle the problem. There is the place to decide how far the government should go in changing business practices while seeking to fight monopoly. There is the place to make sure that bona fide competition is not penalized.

Information, Please

Security investors—and even speculators—pore over financial statements of companies to get a line on their soundness. They have been looking in vain recently for full information on a new financing activity: sales by companies of their real estate, which they then lease for long periods.

The finance department of Business Week explained this new and fast-growing trend recently (BW—Apr.17 '48,p96). In that article it was pointed out that the main advantage of such sale-lease deals is to give the sellers new cash needed for financing plant expansion or inventory purchases.

The fact that such financing isn't reflected on the liability side of a financial statement was listed as another advantage.

An advantage to the company, yes. For it makes it look as though the company has fattened its assets without increasing its liabilities.

But to us it looks like a distinct disadvantage to the inquiring investor. In the first place, he may assume mistakenly that the company's real estate (the term includes manufacturing plants, laboratories, office buildings—as well as land) is the same as before. But, more importantly, he may not be aware of the terms of the rental lease for the property. These terms are unusually high in relation to the value of the property for the initial lease period.

Those terms, we think, should be spelled out carefully in a company's financial statement. We understand that present accounting procedure does not require it. Nor does the Securities & Exchange Commission require such disclosure.

If the company had not sold its real property but had gone to the banks or security markets for the money it wanted to raise, the investor would be told about that. Since the sale-lease arrangements are the alternative for that step, the investor should know just as much about them. We urge the SEC, the accountants, and the companies to see that this is possible.